

Payroll Handbook for Small Communities

May 2003



**State of Alaska
Frank Murkowski, Governor**



**Department of Community and Economic Development
Edgar Blatchford, Commissioner**

Acknowledgments

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Bookkeeper's Checklist for Payroll Preparation

This checklist may be helpful in making sure you complete the tasks needed to prepare a payroll.

- ◆ Every employer must have a federal employer identification number (EIN). Find out if your community has one. If not, apply for an EIN. (See pages 37 and 38 of this Handbook.)
- ◆ Every employer must also have a State of Alaska employer identification number (SEIN). Find out if your community has one. If not, apply for a SEIN. (See page 39 of this Handbook.)
- ◆ Review the community's policies and procedures to determine pay rates for job classes. Also review policies on overtime payments. If the community doesn't have an established pay rate for jobs on the payroll or an overtime policy, the city or village council needs to set one up. Contact the closest regional office of the Division of Community & Business Development (DCBD) for help.
- ◆ Review current federal and State tax laws and regulations to determine tax rates, withholding requirements, payment procedures, and reporting requirements. Make sure you have the most current copies of all forms and IRS Circular E. (See this Handbook and other tax and payroll documents available from DCBD.)
- ◆ Make sure all employees have a current W-4 on file. Every new employee must complete a W-4 before beginning work. (See pages 20 and 21 of this Handbook.)
- ◆ Review the community's payroll record keeping system to make sure the following records are kept:
 - ✓ Current pay rates for all employees. (See page 22 of this Handbook.)
 - ✓ Time sheets or time cards to record hours worked. (See pages 24 and 25 of this Handbook.)
 - ✓ Leave slips to record leave used. (See page 26 of this Handbook.)
 - ✓ Pay records for each employee, summarized by quarter. (See page 27 of this Handbook.)
 - ✓ Payroll journal combining all information from individual pay records. (See page 28 of this Handbook.)
 - ✓ A copy of the statement of earnings and deductions given to each employee. (See pages 29 and 30 of this Handbook.)
 - ✓ Copies of tax payments, quarterly tax returns, and correspondence with the IRS and State Department of Labor.
- ◆ Make sure the community has Workers' Compensation Insurance and premiums are paid.
- ◆ Examine the checking account before paying payroll to make sure enough money is available to cover the pay checks, the withholding, and the employer costs for FICA, ESC, and FUTA (if required). Even if you do not have money to pay your taxes, compete and submit your tax reports. If you don't do this you will receive penalties from the IRS. Do not pay wages without paying the taxes that are owed!
- ◆ Finally, do the payroll and pay your taxes. - Keep up the good work!

Where can I get Help?

Department of Community & Economic Development Division of Community & Business Development (DCBD) Regional Offices

DCED, DCBD
P.O. Box 1068
Nome, AK 99762
Phone: 443-5457
FAX: 443-3596

DCED, DCBD
P.O. Box 350
Kotzebue, AK 99752
Phone: 442-3696
FAX: 442-2402

DCED, DCBD
209 Forty Mile Ave
Fairbanks, AK 99701
Phone: 452-7126
FAX: 451-7251

DCED, DCBD
P.O. Box 348
Bethel, AK 99559
Phone: 543-3475
FAX: 543-4152

DCED, DCBD
P.O. Box 110809
Juneau, AK 99811
Phone: 465-2012
FAX: 465-3767

DCED, DCBD
P.O. Box 790
Dillingham, AK 99576
Phone: 842-5135
FAX: 842-5140

DCED, DCBD
550 W. 7th Ave., Suite 1770
Anchorage, AK 99501
Phone: 269-4501
FAX: 269-4539

Preface

This updated *Payroll Handbook* includes tax forms and regulation changes effective January 2002. The *Payroll Handbook* has three chapters and an appendix. The first chapter covers some of the basic information on labor laws that all employers should be familiar with. Chapter 2 reviews what records are needed to do payroll. Each record is briefly described and samples are shown. Chapter 3 has a step by step process to complete payroll records. The chapter also has examples of how these records are filled out. The appendix has more detail on the federal and State laws. Finally, all the forms used to record payroll information are located at the end of this document.

By reviewing this Handbook you'll become more familiar with:

- Why you need payroll records.
- How to set up personnel records for tax purposes.
- Labor laws affecting wage rates & payroll record requirements.
- How to figure federal and State payroll taxes.
- How to create and maintain payroll records.
- How to pay payroll taxes.

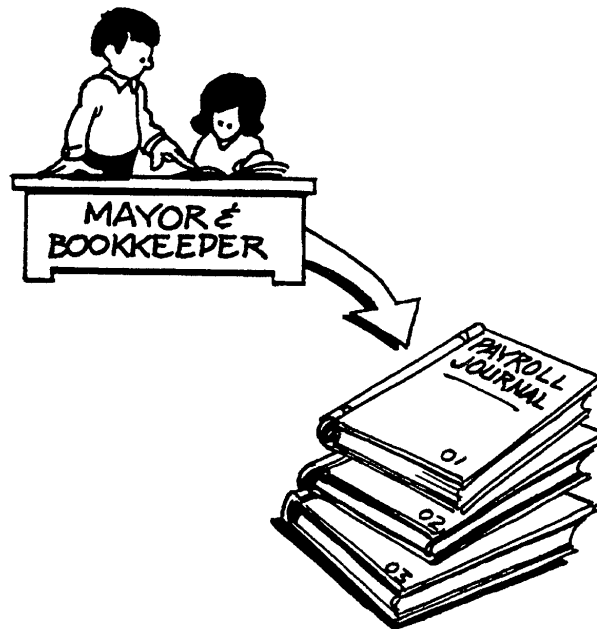


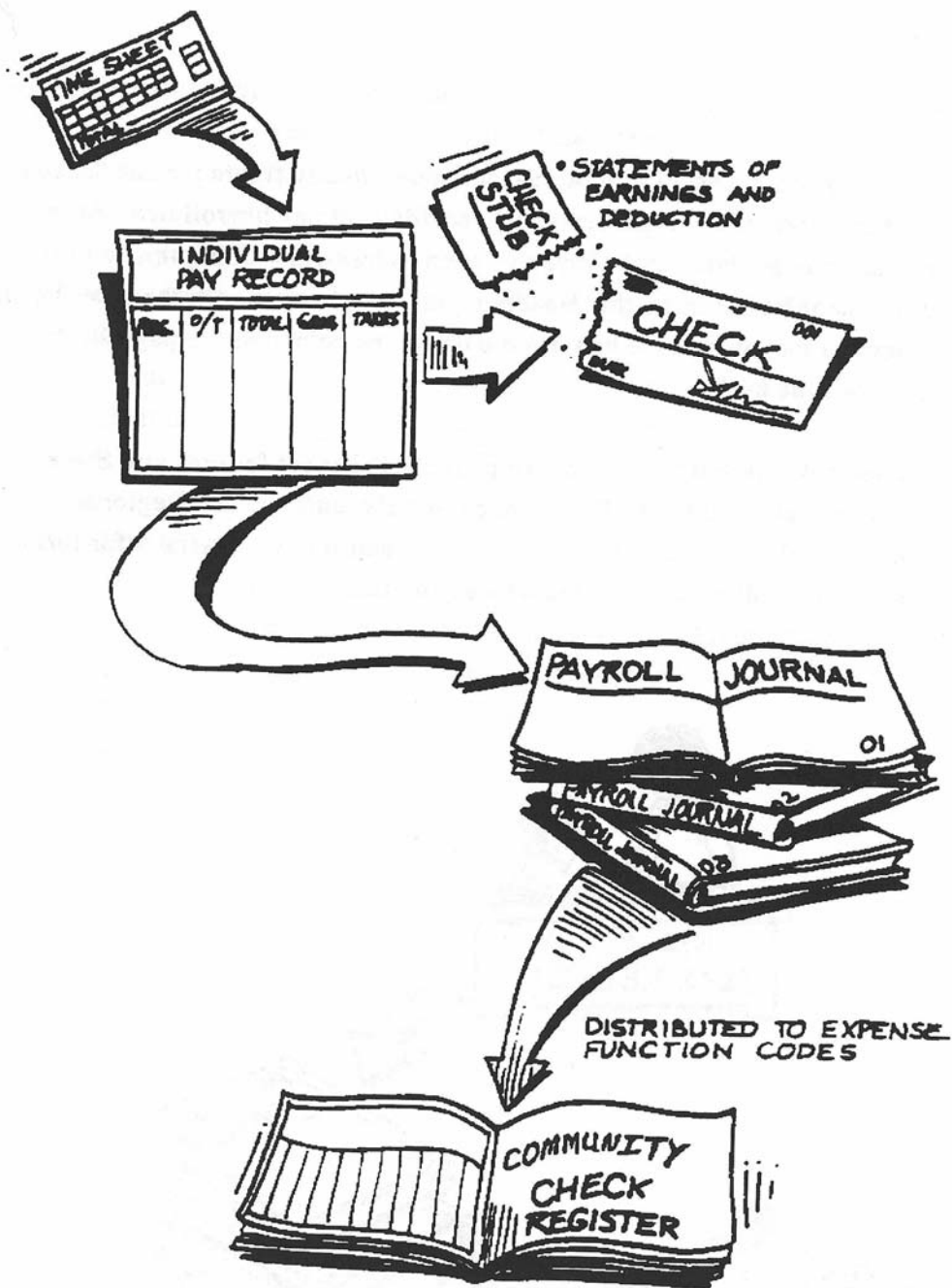
Payroll Handbook

Introduction

As a bookkeeper for a small city or village, you probably figure paychecks and payroll taxes, keep payroll and personnel records, and pay payroll taxes to the federal and State governments. If you've been successfully doing this job for a long time, the information in this Handbook may not be new. On the other hand, if you're new on the job or have had trouble doing the community's payroll, this Handbook will be useful.

This Handbook will help you prepare payroll and meet federal and State payroll tax requirements. Call any office of the Division of Community & Business Development, Department of Community and Economic Development, for further assistance on payroll record keeping and paying taxes.





Payroll Record Keeping

Chapter 1 The Basics

Doing payroll isn't hard, but it is important.

Correctly paying wages and taxes is critical to any employer, including municipalities and villages. Community bookkeepers must be careful and follow federal and State payroll tax requirements. Otherwise, the community may lose property to the federal government for back taxes owed and workers may lose social security and unemployment benefits. By keeping accurate payroll records and paying the taxes owed, your community can avoid fines or even criminal prosecution.

Knowing the difference between wage, salaried, and contract employees.

This Handbook assumes you're figuring payroll for hourly wage employees. There are other classes of employees that are treated differently when calculating payroll. For example, salaried employees aren't usually paid overtime. A person working under contract doesn't usually have federal withholding and social security taxes withheld.

Since most people working for small communities earn an hourly wage, this Handbook explains payroll for wage employees. Before we go further, let's look at some of the differences between salaried employees, contract employees, and employees earning an hourly wage.

Wages or Salary?

The terms "wages" and "salaries" are often considered to mean the same thing; they aren't. Wages are payments to an employee based on an hourly rate multiplied by the hours worked. Salary, on the other hand, is an agreed monthly payment to the employee based on working a normal number of hours per month or year. However, if a salaried employee works longer than 40 hours a week, he/she isn't entitled to overtime.

An employee is hired either as an hourly employee or as a salaried employee. Whether salaried or wage, an employee's payroll deductions are figured in the same way; that is, the amount of wages or salary multiplied by the appropriate withholding percentage for the pay period. Pay for salaried employees is easier to calculate since, normally, the gross amount earned is the same for every pay period. The important difference between these two classes of employees is that overtime is seldom paid to salaried employees.

Employee or Contractor?



Now, let's look at the difference between employees (salaried or wage) and contractors. It's important to know the difference because you don't normally withhold taxes or pay benefits, such as unemployment insurance, for independent contractors. However, sometimes it's hard to tell the difference between an employee and a contractor.

Review Circular E, Employer's Tax Guide, for the Internal Revenue Service's definition of "employees." Briefly, an employee is anyone who performs services the employer can control. People in business for themselves working on a community project aren't employees; they're independent contractors.

The community is responsible for identifying any individual or company that has worked as an independent contractor during the year. The IRS requires that the city or village administrator or bookkeeper receive a W-9 form from independent contractors working on a community project, unless the contractor is a corporation.

If the contractor claims to be a corporation, the contractor must provide proof that they are incorporated. Proof could be a business card or invoice indicating incorporation.

Form W-9 (Rev. January 2002) Department of the Treasury Internal Revenue Service	Request for Taxpayer Identification Number and Certification	Give form to the requester. Do not send to the IRS.
--	---	---

Print or type
See Specific Instructions on page 2.

Name	
Business name, if different from above	
Check appropriate box: <input type="checkbox"/> Individual/ Sole proprietor <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Other	
Address (number, street, and apt. or suite no.)	Requester's name and address (optional)
City, state, and ZIP code	
List account number(s) here (optional)	

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. For individuals, this is your social security number (SSN). **However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 2.** For other entities, it is your employer identification number (EIN). If you do not have a number, see **How to get a TIN** on page 2.

Note: If the account is in more than one name, see the chart on page 2 for guidelines on whose number to enter.

Social security number	<div style="display: flex; justify-content: space-around; font-size: 0.8em;"> 1234567890 </div>
or	
Employer identification number	<div style="display: flex; justify-content: space-around; font-size: 0.8em;"> 1234567890 </div>

Part II Certification

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), **and**
- I am not subject to backup withholding because: **(a)** I am exempt from backup withholding, or **(b)** I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or **(c)** the IRS has notified me that I am no longer subject to backup withholding, **and**
- I am a U.S. person (including a U.S. resident alien).

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN. (See the instructions on page 2.)

Sign Here	Signature of U.S. person ▶	Date ▶
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Purpose of Form

A person who is required to file an information return with the IRS must get your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to give your correct TIN to the person requesting it (the requester) and, when applicable, to:

- Certify the TIN you are giving is correct (or you are waiting for a number to be issued).
- Certify you are not subject to backup withholding, or
- Claim exemption from backup withholding if you are a U.S. exempt payee.

If you are a foreign person, use the appropriate Form W-8. See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

Note: If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

What is backup withholding? Persons making certain payments to you must under certain conditions withhold and pay to the IRS 30% of such payments **after** December 31, 2001 (29% **after** December 31, 2003). This is called "backup withholding." Payments that may be subject to backup withholding include interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will **not** be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

Payments you receive will be subject to backup withholding if:

- You do not furnish your TIN to the requester, or
- You do not certify your TIN when required (see the Part II instructions on page 2 for details), or
- The IRS tells the requester that you furnished an incorrect TIN, or
- The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or

- You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See the instructions on page 2 and the separate **Instructions for the Requester of Form W-9**.

Penalties

Failure to furnish TIN. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil penalty for false information with respect to withholding. If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

Criminal penalty for falsifying information. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. If the requester discloses or uses TINs in violation of Federal law, the requester may be subject to civil and criminal penalties.

Cat. No. 10231X
Form **W-9** (Rev. 1-2002)

Form 945, *Annual Return of Withheld Federal Income Tax*

Use Form 945 to report income tax withheld from nonpayroll payments.

Nonpayroll payments include the following:

- Gambling winnings.
- Backup withholding from contractors who refuse to provide the community a social security or federal Employer Identification Number (EIN).

The community is responsible for getting the contractors social security or federal Employer Identification Number (EIN). If the contractor refuses to provide this information, then the community must withhold money from the contractor's payments and report the "backup withholding" on Form 945. The "backup withholding" rate is 30% of the amount paid a contractor. (See IRS Circular E.)

If any winner of a Bingo game or Pull-tab game does not provide their Social Security Number they become subject to withholding at a 30% rate on the amount of their winnings. As a general rule, all income tax withholding reported on Form W-2G, Certain Gambling Winnings, and Form 1099-MISC must be reported on Form 945.

The deadline filing date for Form 945 for 2002 is January 31, 2003. The 2002 forms were not available when this publication was printed. An example of the 2001 form is shown here.

Form 945 Department of the Treasury Internal Revenue Service	Annual Return of Withheld Federal Income Tax ▶ For withholding reported on Forms 1099 and W-2G. ▶ See separate instructions. For more information on income tax withholding, see Circular E and Pub. 15-A. Please type or print.	OMB No. 1545-1430 2001 IRS USE ONLY T _____ FF _____ FD _____ FP _____ I _____ T _____																																										
Enter state code for state in which deposits were made only if different from state in address to the right (see page 3 of instructions). ▶ <input type="checkbox"/>	Name (as distinguished from trade name) _____ Trade name, if any _____ Address (number and street) _____ City, state, and ZIP code _____																																											
If address is different from prior return, check here ▶ <input type="checkbox"/>	IRS Use <table border="1" style="display: inline-table; text-align: center;"> <tr> <td>1</td><td>1</td><td>1</td><td>1</td><td>1</td><td>1</td><td>1</td><td>1</td><td>2</td><td>3</td><td>3</td><td>3</td><td>3</td><td>3</td><td>3</td><td>4</td><td>4</td><td>4</td><td>5</td><td>5</td><td>5</td> </tr> <tr> <td>6</td><td>7</td><td>8</td><td>8</td><td>8</td><td>8</td><td>8</td><td>8</td><td>9</td><td>9</td><td>9</td><td>9</td><td>9</td><td>9</td><td>9</td><td>10</td><td>10</td><td>10</td><td>10</td><td>10</td><td>10</td> </tr> </table>	1	1	1	1	1	1	1	1	2	3	3	3	3	3	3	4	4	4	5	5	5	6	7	8	8	8	8	8	8	9	9	9	9	9	9	9	10	10	10	10	10	10	
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6	7	8	8	8	8	8	8	9	9	9	9	9	9	9	10	10	10	10	10	10																								
If you do not have to file returns in the future, check here ▶ <input type="checkbox"/> and enter date final payments paid ▶ _____																																												
1 Federal income tax withheld from pensions, annuities, IRAs, gambling winnings, etc.		1 _____																																										
2 Backup withholding		2 _____																																										
3 Adjustment to correct administrative errors (see instructions)		3 _____																																										
4 Total taxes. If \$2,500 or more, this must equal line 8M below or line M of Form 945-A		4 _____																																										
5 Total deposits for 2001 from your records, including overpayment applied from a prior year		5 _____																																										
6 Balance due (subtract line 5 from line 4). See instructions		6 _____																																										
7 Overpayment. If line 4 is less than line 5, enter overpayment here ▶ \$ _____ and check if to be: <input type="checkbox"/> Applied to next return OR <input type="checkbox"/> Refunded																																												
• All filers: If line 4 is less than \$2,500, you need not complete line 8 or Form 945-A. • Semiweekly schedule depositors: Complete Form 945-A and check here ▶ <input type="checkbox"/> • Monthly schedule depositors: Complete line 8, entries A through M, and check here ▶ <input type="checkbox"/>																																												
8 Monthly Summary of Federal Tax Liability. Do not complete if you are a semiweekly schedule depositor.																																												
<table border="1" style="width: 100%; text-align: center;"> <tr> <th colspan="2">Tax liability for month</th> <th colspan="2">Tax liability for month</th> <th colspan="2">Tax liability for month</th> </tr> <tr> <td>A January</td> <td></td> <td>F June</td> <td></td> <td>K November</td> <td></td> </tr> <tr> <td>B February</td> <td></td> <td>G July</td> <td></td> <td>L December</td> <td></td> </tr> <tr> <td>C March</td> <td></td> <td>H August</td> <td></td> <td>M Total liability for year (add entries A through L)</td> <td></td> </tr> <tr> <td>D April</td> <td></td> <td>I September</td> <td></td> <td></td> <td></td> </tr> <tr> <td>E May</td> <td></td> <td>J October</td> <td></td> <td></td> <td></td> </tr> </table>		Tax liability for month		Tax liability for month		Tax liability for month		A January		F June		K November		B February		G July		L December		C March		H August		M Total liability for year (add entries A through L)		D April		I September				E May		J October										
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A January		F June		K November																																								
B February		G July		L December																																								
C March		H August		M Total liability for year (add entries A through L)																																								
D April		I September																																										
E May		J October																																										
Do you want to allow another person to discuss this return with the IRS (see separate instructions)? <input type="checkbox"/> Yes. Complete the following. <input type="checkbox"/> No																																												
Third Party Designee Sign Here	Person's name ▶ _____ Signature ▶ _____	Phone no. ▶ () _____ Print Your Name and Title ▶ _____ Date ▶ _____																																										
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.																																												
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.																																												

At the end of the year, if the independent contractor has been paid more than \$600 during the calendar year for services, the community reports the payments on Form 1099-MISC in box 7, Nonemployee Compensation. Stipends paid to City or Tribal Council members for attending Council meetings are reported on a W-2 if the total for the year is \$600 or more. Amounts paid to Tribal Council members for services performed as Council members are not considered wages for purposes of FICA or federal withholding taxes. However, the stipends for Tribal Council members are reported on a W-2. Stipends paid to City Council members are considered wages and you are required to withhold FICA and federal withholding taxes. City Council stipends are reported also on a W-2.

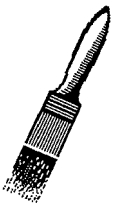
If any employee or contractor does not provide their Social Security Number they become subject to withholding at a 27% rate on payments required to be reported in boxes 1,2,3,4,5,6,7,8, and 10 on this form. Obtain the 2002 Instructions for Form 1099, 1098, 5498, and W-2G, for more information.

9595		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0115		Miscellaneous Income 2002 Form 1099-MISC
PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents	\$	4 Federal income tax withheld	\$	
		2 Royalties	\$	6 Medical and health care payments	\$	
PAYER'S Federal identification number		3 Other income	\$	8 Substitute payments in lieu of dividends or interest	\$	Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.
RECIPIENT'S identification number		5 Fishing boat proceeds	\$	10 Crop insurance proceeds	\$	
RECIPIENT'S name		7 Nonemployee compensation	\$	12		
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	\$	14 Gross proceeds paid to an attorney	\$	
City, state, and ZIP code		11		16 State tax withheld	\$	
Account number (optional)		13 Excess golden parachute payments	\$	17 State/Payer's state no.	\$	18 State income \$
2nd TIN not <input type="checkbox"/>		15	\$		\$	

Form 1099-MISC Cat. No. 14425J Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

Consider the following differences when it may not be clear whether a person is an employee or a contractor.

Employee	OR	Contractor
1. Paid by the hour, week, or month.		1. Paid by the job or by terms of contractual agreement.
2. Travel expenses are reimbursed.		2. Business and travel costs are negotiated as part of the total payment for services.
3. Is told when, where, and how to do the work.		3. Is only told what's to be done and the deadline for completing the project.
4. Works at your office or wherever you choose.		4. Works wherever the individual or company doing the work believes that it can be done most efficiently.
5. Tools and materials supplied by the employer.		5. Tools and materials supplied by the individual or company doing the work.
6. The worker doesn't risk		6. Profit or loss is a direct result of how and when work is done.
7. Worker works only for you.		7. Works for whomever is willing to pay the fee. May work for more than one community at the same time.

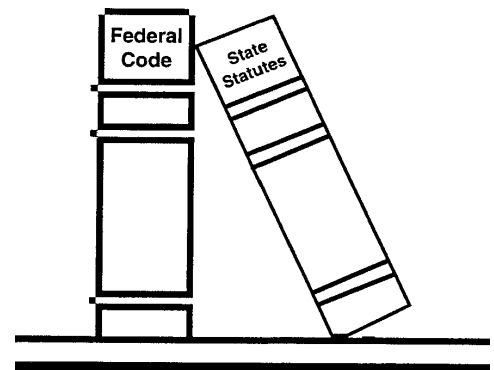


What laws should you know about?

Federal and State laws govern:

- how employees are paid,
- deductions you must withhold from paychecks, and
- what and how long you must keep payroll records.

The following is a summary of federal and State laws you should know before preparing payroll. Review the Appendix for more information on the laws described in this section. Also, get a copy of Establishing A Business In Alaska from the Alaska Department of Community and Economic Development, Division of Community and Business Development (555 W. 7th Ave, Suite 1770, Anchorage, AK 99501) for more information on your legal requirements as an employer.



Federal Laws

Fair Labor Standards Act (FLSA)

- Known as Wage and Hour Law.
- Sets federal minimum wage. It is \$5.15 per hour.
- Establishes normal work week (40 hours).
- Requires 1 1/2 times wage rate for overtime.
- Requires employers keep records of every employee.
- Requires payroll records be kept at least three (3) years.

Federal Insurance Contributions Act (FICA)

- Known as Social Security and Medicare.
- Requires employees and employers pay an equal amount to a federally operated trust fund.
- Requires employers to withhold from employee's wages the employee's portion of taxes.
- Provides payments to workers participating in the system. >- Provides benefits to families of deceased workers. >- Requires an annual report be filed.
- Requires employers keep records of every employee.
- Requires payroll tax deposits either semi-weekly or monthly.
However, payroll tax deposits can be made each time payroll checks are issued.
- Requires quarterly tax reports (Form 941).

See page 47 for an overview of who is in Social Security, who is not, and who can get out.

Federal Unemployment Tax Act (FUTA)

Note: Cities and boroughs aren't covered by this Act. Tribal governments are not required to pay FUTA if they are paying ESC to the Alaska Department of Labor and Workforce Development.

- Requires the employer to pay an unemployment benefit tax.
- Provides payments to unemployed workers.
- Requires the employer to keep separate employee records.
- Requires employee records be kept four (4) years.
- Requires quarterly tax payments.
- Requires an annual report be filed.

Davis-Bacon Act

Note: Doesn't apply to cities using their own workers and acting as a general contractor.

- Requires contractors pay "prevailing wages" for labor 'used to construct, alter, or repair public buildings financed with federal money.

Occupational Safety and Health Act (OSHA)

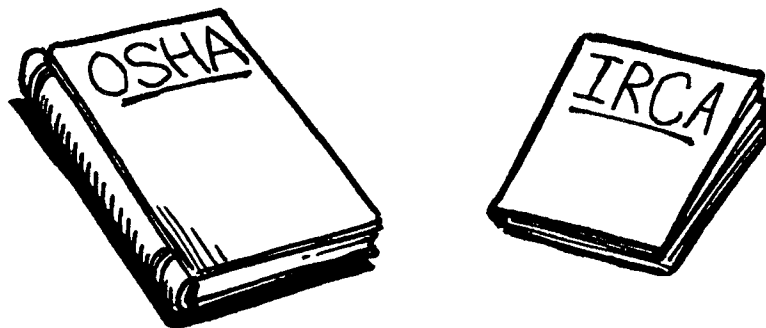
- Requires a work place be free from hazards.
- Requires records be kept of accidents and injuries.
- Allows OSHA inspection of the work place; if violations are discovered, fines may be imposed on the employer.

Civil Rights Act of 1964

- Prohibits discrimination in hiring, firing, or promoting based on race, color, religion, sex, or national origin.
- Requires records of personnel actions (hires, promotions, discharges, pay increases, etc.) be kept. To defend personnel actions, employers should keep careful records on employees.

Immigration Reform and Control Act

- Requires proof of employee's legal right to work in the United States before hiring.
- Requires Form 1-9 be completed for every person hired after May 31, 1987. The form is kept on file by the employer for at least three (3) years or until one (1) year after the employee leaves your employment (whichever is longer).
- Requires employers present 1-9 forms for inspection to an Immigration and Naturalization Service or Department of Labor officer upon request.



State Laws

Alaska Wage and Hour Act (AS 23.10)

Note: Cities and boroughs are required to follow only some of the provisions of the law. See the Appendix for details.

- Establishes State minimum wage at \$7.15 (effective January 2003)
- Establishes a standard work week of 40 hours.
- Requires that work over 40 hours per week or 8 hours per day be paid at 1 ½ times the regular wage rate for FLSA eligible employees.

Employment Security Act (ESC)

- Establishes the State Unemployment Insurance program.
- Requires that employers file a "Liability Determination" with the Department of Labor.
- Requires accurate payroll records be maintained.
- Requires quarterly tax reports be filed.
- Requires quarterly payment of ESC taxes. However, payments can be made each time payroll checks are issued.
- Requires payroll records be kept for five (5) years.

'Little' Davis-Bacon Act

- Requires a contractor or subcontractor working on public construction projects pay not less than the "current prevailing rate" as determined by the Alaska Department of Labor. Municipalities, using their own labor, are exempt from this requirement, unless projects are funded through State of Alaska grants subject to Administrative Order 199 (effective December 2002).

Workers' Compensation

- Requires the employer to get workers' health and disability insurance.
' Insurance must pay for full medical treatment for an "on-the-job" injury or illness and must pay 80% of the employee's net spendable weekly wage (up to \$1,108 per week) for a worker's absence due to injury or illness.

Federal Agencies

- Fair Labor Standards Act or Davis-Bacon Act

Contact:

U.S. Department of Labor, Wage and Hour Division
1111 West 3rd Ave., Room 755
Anchorage, AK 99801-3212
Phone: 1-907-271-2867 or 1-866-487-9243
www.dol.gov

- Federal Withholding Taxes or Federal Unemployment Taxes

Contact:

IRS: 1-800-829-1040
www.irs.gov

- Federal Tax Information and Notice

Contact:

IRS: 1-800-829-1040
www.irs.gov

- IRS Forms and Publication Orders

Contact:

IRS: 1-800-829-3676
www.irs.gov

- Immigration Reform and Control Act

Contact:

Immigration and Naturalization Service
Toll Free: 1-800-375-5283

State Agencies

➤ Employment Security Act (ESC)

Contact:

Department of Labor and Workforce Development
Employment Security Division
P.O. Box 25509
Juneau, AK 99802-5509
Phone: 1-907-465-2712
Fax: 1-907-465-4537

➤ Fair Labor Standards Act (FLSA) and

➤ Occupational Safety and Health Act (OSHA)

Contact:

Department of Labor and Workforce Development
Labor Standards and Safety Division
P.O. Box 21149
Juneau, AK 99802-1149 Phone: 1-907-465-4855

➤ Workers' Compensation

Contact:

Department of Labor and Workforce Development
Division of Workers' Compensation
P.O. Box 25512
Juneau, AK 99802-5512 Phone: 1-907-465-2790

➤ Social Security (FICA)

Contact:

Department of Admin, Division of Retirement and
Benefits
Social Security Administration Section
P.O. Box 110203
Juneau, AK 99811-0203 Phone: 1-907-465-4460

Notes



Chapter 1 Exercise Federal and State Labor Laws

1. FLSA stands for
 - ☐ Federal Library Standards Account
 - ☐ Future Labor Statistics Act
 - ☐ Fair Labor Standards Act
 - ☐ Federal Insurance Systems

2. a. The minimum wage for hourly workers on the municipal payroll is:
 - ☐ \$4.95/hour ☐ \$5.15/hour ☐ \$2.35/hour ☐ \$3.80/hour
b. The minimum wage for all other employers is:
 - ☐ \$5.15/hour ☐ \$7.15/hour ☐ \$6.00/hour ☐ \$6.95/hour

3. An hourly worker who works over 40 hours a week is entitled to 1 ½ the normal wage rate or the equivalent in compensatory time. (Check FLSA description in Appendix before answering question.)
 - ☐ True ☐ False

4. Carefully store all pay records, including time cards, for two (2) years.
 - ☐ True ☐ False

5. FICA is better known as Social Security.
 - ☐ True ☐ False

6. FICA is paid only by the employee through withholdings from paychecks.
 - ☐ True ☐ False

7. Employees for non-profits pay FICA.
 - ☐ True ☐ False

8. Reporting and depositing FICA taxes is the responsibility of the employer.
☐ True ☐ False
9. The federal Davis-Bacon Act only applies to contracts for the construction, alteration, or repair of public buildings financed with federal money.
☐ True ☐ False
10. FUTA stands for:
☐ Federal Unemployment Training Act
☐ Federal Unemployment Tax Act
☐ Future Under Territorial Appraisal
☐ Former Underworld Tax Assessors
11. FUTA taxes are paid by municipalities to pay for unemployment benefits for terminated workers.
☐ True ☐ False
12. Some parts of the Alaska Wage and Hour Act don't apply to municipalities.
☐ True ☐ False
13. Non-profits must follow all parts of the Wage and Hour Act, including the State's minimum wage standard.
☐ True ☐ False
14. ESC stands for:
☐ Employees Social Council
☐ Employees Security Council
☐ Employment Security Contribution Act
☐ Evaluation of Social Considerations
15. ESC requires payroll records be kept for:
☐ 1 year ☐ 3 years ☐ 5 years ☐ 7 years

Chapter 1 Exercise

Federal and State Labor Laws

Answer Sheet

1. Fair Labor Standards Act (See page 75.)
2. a. \$5.15 per hour (federal minimum wage). (See page 75.)
b. All other non-government employers pay a minimum of \$7.15 per hour (State minimum wage). (See page 83.)
3. **False.** "Comp" time **CANNOT** be used to substitute for time and one-half pay for work over 40 hours/week. The only possible exception is if an employee and employer agree to the use of "comp" time in writing. Talk to your attorney for more information. (See page 75.)
4. **False.** Three (3) years retention required by FLSA for pay records. Extra records, such as time cards, must be kept two (2) years. (See page 76.)
5. **True.** (See page 77.)
6. **False.** (See page 77.) Employer and employee pay an equal contribution to the Social Security System (Trust Fund).
7. **True.** (See page 77.)
8. **True.** (See page 78.)
9. **True.** (See page 79.)
10. Federal Unemployment Tax Act (See page 80.)
11. **False.** Municipalities are exempt from FUTA. (See page 80.)
12. **True.** (See page 85.)
13. **True.** (See page 83.)
14. Employment Security Contribution Act (See page 85.)
15. 5 years (See page 85.)

Chapter 2

Payroll and Personnel Records

Keeping good payroll records will help you:

- ◆ Comply with federal and State tax laws.
- ◆ Make sure workers are paid correctly.
- ◆ Keep track of labor costs for community projects.
- ◆ Help forecast labor costs.

What Records are Needed to Figure Payroll?

A good payroll accounting system keeps basic information on each employee. These files include:

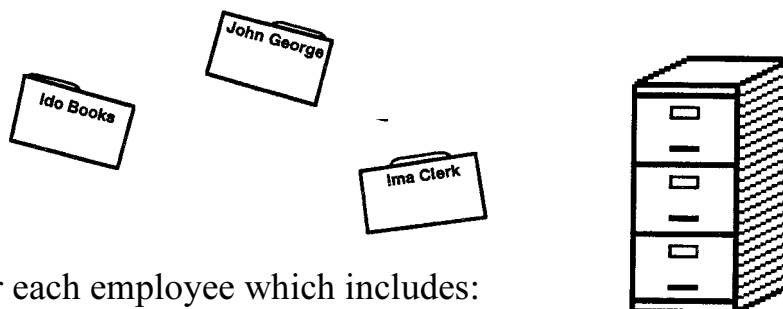
➤ **Personnel Files:**

1. W-4 Forms.
2. Pay rate history records.

➤ **Payroll Documents:**

1. Time cards or time sheets.
2. Individual pay records.
3. Payroll journal.
4. Statement of earnings and deductions.
5. Tax deposit records.
6. Copies of quarterly and annual tax reports.
7. Annual and sick leave records.





Personnel Files

Keep a personnel file for each employee which includes:

- ✓ job application,
- ✓ resume (if required),
- ✓ hiring notice,
- ✓ employee ratings/evaluations,
- ✓ information about the work history of the employee (promotions, job changes, duties, work hours),
- ✓ W-4 Employee's Withholding Allowance Certificate, current pay rates, and
- ✓ completed I-9 form (see Immigration Reform and Control Act in Appendix).

For payroll record keeping, the most important information in the personnel files is:

- ⇒ W-4 Employee's Withholding Allowance Certificate and
- ⇒ pay rate history records for each employee.

W-4 Forms

The W-4 form shows the number of dependents claimed by the employee for income tax reasons. ***The W-4 is filled out by each employee when they 're hired and before starting work.*** If the employee wants to change the number of withholding allowances claimed, a new W-4 must be filled out. You can get W-4 forms and related publications for each new employee from the Internal Revenue Service.

The information on the W-4 is used to figure the amount of federal income tax withheld from payroll checks. You need access to the personnel files where the W-4 forms are kept. ***However, access by other people is restricted since much of the information in the personnel files is confidential.*** The employee may authorize others to inspect his/her personnel file. Authorization should be in writing from the employee.

Form W-4 (2002)

Purpose. Complete Form W-4 so your employer can withhold the correct Federal income tax from your pay. Because your tax situation may change, you may want to refigure your withholding each year.

Exemption from withholding. If you are exempt, complete only lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2002 expires February 16, 2003. See **Pub. 505, Tax Withholding and Estimated Tax.**

Note: You cannot claim exemption from withholding if (a) your income exceeds \$750 and includes more than \$250 of unearned income (e.g., interest and dividends) and (b) another person can claim you as a dependent on their tax return.

Basic instructions. If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 adjust your withholding allowances based on itemized deductions, certain credits, adjustments to

income, or two-earner/two-job situations. Complete all worksheets that apply. **However, you may claim fewer (or zero) allowances.**

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See line E below.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See **Pub. 919, How Do I Adjust My Tax Withholding?** for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using **Form 1040-ES, Estimated Tax for Individuals.** Otherwise, you may owe additional tax.

Two earners/two jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others.

Nonresident alien. If you are a nonresident alien, see the **Instructions for Form 8233** before completing this Form W-4.

Check your withholding. After your Form W-4 takes effect, use **Pub. 919** to see how the dollar amount you are having withheld compares to your projected total tax for 2002. See **Pub. 919**, especially if you used the **Two-Earner/Two-Job Worksheet** on page 2 and your earnings exceed \$125,000 (Single) or \$175,000 (Married).

Recent name change? If your name on line 1 differs from that shown on your social security card, call 1-800-772-1213 for a new social security card.

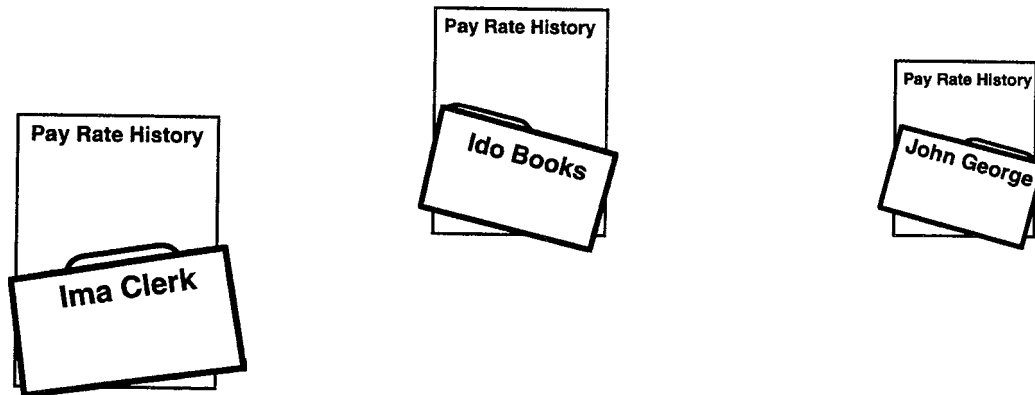
Personal Allowances Worksheet (Keep for your records.)

A	Enter "1" for yourself if no one else can claim you as a dependent	A	_____
B	Enter "1" if: <ul style="list-style-type: none"> • You are single and have only one job; or • You are married, have only one job, and your spouse does not work; or • Your wages from a second job or your spouse's wages (or the total of both) are \$1,000 or less. 	B	_____
C	Enter "1" for your spouse . But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.)	C	_____
D	Enter number of dependents (other than your spouse or yourself) you will claim on your tax return	D	_____
E	Enter "1" if you will file as head of household on your tax return (see conditions under Head of household above)	E	_____
F	Enter "1" if you have at least \$1,500 of child or dependent care expenses for which you plan to claim a credit	F	_____
(Note: Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses , for details.)			
G	Child Tax Credit (including additional child tax credit): <ul style="list-style-type: none"> • If your total income will be between \$15,000 and \$42,000 (\$20,000 and \$65,000 if married), enter "1" for each eligible child plus 1 additional if you have three to five eligible children or 2 additional if you have six or more eligible children. • If your total income will be between \$42,000 and \$80,000 (\$65,000 and \$115,000 if married), enter "1" if you have one or two eligible children, "2" if you have three eligible children, "3" if you have four eligible children, or "4" if you have five or more eligible children. 	G	_____
H	Add lines A through G and enter total here. Note: This may be different from the number of exemptions you claim on your tax return.	H	_____
For accuracy, complete all worksheets that apply. <ul style="list-style-type: none"> • If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2. • If you have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$35,000, see the Two-Earner/Two-Job Worksheet on page 2 to avoid having too little tax withheld. • If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below. 			

----- Cut here and give Form W-4 to your employer. Keep the top part for your records. -----

Form W-4 Department of the Treasury Internal Revenue Service		Employee's Withholding Allowance Certificate ► For Privacy Act and Paperwork Reduction Act Notice, see page 2.		OMB No. 1545-0010 2002
1 Type or print your first name and middle initial		Last name		2 Your social security number
Home address (number and street or rural route)		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note: If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.		
City or town, state, and ZIP code		4 If your last name differs from that on your social security card, check here. You must call 1-800-772-1213 for a new card. ► <input type="checkbox"/>		
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)		5		
6 Additional amount, if any, you want withheld from each paycheck		6		\$
7 I claim exemption from withholding for 2002, and I certify that I meet both of the following conditions for exemption: <ul style="list-style-type: none"> • Last year I had a right to a refund of all Federal income tax withheld because I had no tax liability and • This year I expect a refund of all Federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here		7		
Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate, or I am entitled to claim exempt status.				
Employee's signature (Form is not valid unless you sign it.) ►		Date ►		
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)		9 Office code (optional)		10 Employer identification number

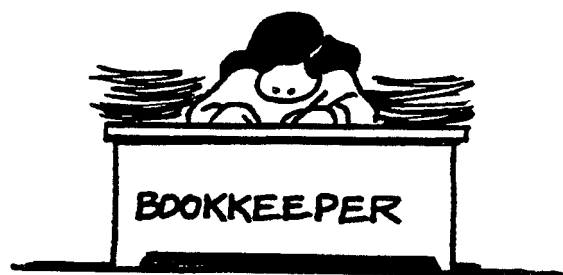
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Pay Rate History Records

The pay rate record shows how much the employee is paid per hour worked. The rate is used to figure the employee's gross pay.

The pay rate history shows the wage rate at the time of hiring and changes in the wage rate due to promotion, demotion, cost-of-living changes, change in job positions, or any other reason. The effective date of all wage rate changes is also recorded.



Instructions for Completing Pay Rate History Record

1. Employee's name as shown on the W-4 form.
2. Employee's Social Security number as shown on the W-4 form.
3. The date the employee was hired.
4. The employee's marital status for income tax purposes (M for married, S for single).
5. The number of exemptions claimed for income tax purposes as shown on the W-4 form.
6. Employee classification as hourly or salaried.
7. Date of pay rate change.
8. Amount of new pay rate.
9. Reason for change in pay rate.

PAY RATE HISTORY		
Employee Name (1) _____		
Social Security Number (2) _____		
Date of Hire (3) _____		Income Tax Status (4) _____
No. Exempts (5) _____	Salaried (6) _____	Hourly (6) _____
Date (7)	Rate (8)	Explanation (9)

Payroll Documents

Time Sheets

To figure payroll, you need to know the hours worked by each employee. This information is recorded on a time sheet or card filled out by the employee and the supervisor. Each day the employee fills in the hours worked and records any leave used. Each employee completes their own time sheet. At the end of the pay period, the employee signs and dates the time sheet. The supervisor makes sure it's correct and signs it. Leave authorization forms should be attached to support authorized sick leave or annual leave (vacation) taken. Time sheets and leave forms are signed by both employee and supervisor to make sure the information is right. Return unsigned time sheets to the supervisor before figuring the wages.

Also review each time sheet for mistakes and tell the manager or supervisor about any problems.

Instructions for Filling Out Time Cards or Time Sheets

Time cards or time sheets should have the following information:

- 1) Employee's full name (no nicknames) and date.
- 2) Employee's Social Security number.
- 3) Pay period.
- 4) Spaces for each day in the time period.
- 5) Spaces for the type of time recorded for each day (regular hours, overtime hours, annual leave, sick leave, comp time).
- 6) Employee's signature.
- 7) Supervisor's signature.
- 8) Department or account wages are charged to (assuming city or village has employees working for different departments or accounts).



TIME SHEET - GENERAL

(1) Employee _____ Date _____

(2) Employee Social Security Number _____ - _____ - _____

(3) Pay Period: From ____ / ____ / ____ To ____ / ____ / ____

(4)

Date	1 16	2 17	3 18	4 19	5 20	6 21	7 22	8 23	9 24	10 25	11 26	12 27	13 28	14 29	15 30	31	Total
Regular Hours																	
Overtime Hours																	
Annual Leave																	
Sick Leave																	
Holiday (Regular Time)																	
Holiday (Overtime)																	
Other																	
(5) Total Hours																	

Employee Signature (6) _____

Supervisor (7) _____

Charge to: (8) _____

Leave Authorization			
Name: _____		SSN: _____	
Dates of Leave Requested: From: ____/____/____ AM/PM End: ____/____/____ AM/PM <div style="display: flex; justify-content: space-around; font-size: small;"> Month Day Hour Month Day Hour </div>			
Type of Leave Requested <input type="checkbox"/> Annual <input type="checkbox"/> Sick <input type="checkbox"/> LWOP <input type="checkbox"/> Court			
APPROVAL OF REQUEST: _____ <div style="text-align: center; font-weight: bold;">Supervisor</div>			
Leave Taken			
Total Hours of Leave: <input type="checkbox"/> Annual _____ <input type="checkbox"/> Sick _____		<input type="checkbox"/> LWOP _____ <input type="checkbox"/> Court _____	
Employee Signature: _____		Supervisor: _____	
Date: _____		Date: _____	
RETURN THIS FORM to Bookkeeper within 24 hours of completion of Leave.			

Leave Authorization

Some communities use leave authorization forms to record annual, sick, and other types of leave. Review your community personnel policies to ensure leave is being dealt with correctly by supervisors, employees, and yourself.

When leave authorization forms are used, the employee fills out the request for leave before starting leave. The request is given to the supervisor. If the supervisor approves, the employee has an excused absence. Upon returning from leave, the employee and supervisor sign the leave request form confirming the amount of leave taken. The supervisor sends the leave slip to the bookkeeper. The bookkeeper adjusts the paycheck if the amount of pay for the pay period is affected. The leave slips are put in the employee's personnel file.

Leave slips are used by larger communities. Smaller communities may not need them. However, leave taken by an employee must be recorded on the time sheet even if leave slips aren't used.

Don't throw away time sheets after doing the payroll. Time sheets must be saved. Federal and State regulations require time sheets be kept at least two (2) years in case of wage disputes. Put them in the employee's file with a copy of the pay check. If questions come up about how much money an employee earned, the time sheets will help prove the payroll checks were correct.

Payroll Journal

The payroll journal shows payroll information for all employees. The payroll journal lists each employee, the amount paid during a pay period, the pay rate, hours worked, gross earnings, federal tax withheld, other deductions, net pay, and payroll check number. This information comes from the Pay Record of each employee.

The payroll journal comes in different forms, depending on the supplier. You can also make a payroll journal using a columnar pad. In any case, the information shown on the example below should be included. The example payroll journal sheet organizes the employee wage and tax information by departments. By separating payroll information by department it makes it easy to figure what costs should be charged to each department.

Use the information from the payroll journal to fill out quarterly tax reports. This is explained in the next chapter. The payroll journals must be kept for 4 years.

PAYROLL JOURNAL															
Journal No. _____		Payroll Period From _____, 20										To _____, 20			
DEPARTMENT / NAME	Rate of Pay	Reg Hrs	OT Hrs	EARNINGS			Fed W/H	DEDUCTIONS			Net Pay	Chk. No.	Date of Payment		
				Reg. Pay	O.T. Pay	Gross Pay		FICA Soc. Sec.	Medicare	ESC					
ADMINISTRATION															
TOTAL ADMINISTRATION															
PUBLIC SAFETY															
TOTAL PUBLIC SAFETY															
PUBLIC WORKS															
TOTAL PUBLIC WORKS															
TOTAL ALL DEPARTMENTS															

Statement of Earnings and Deductions

The statement of earnings and deductions is given to the employee with his/her paycheck. It shows the employee's earnings and deductions for the pay period. Often, the statement is simply a payroll check stub. Pay checks can be ordered with check stubs that serve as statements of earnings and deductions. Use information from the pay record or payroll journal to fill out the Statement of Earnings and Deductions.

#1017		Date _____ 20__		Period Ending _____ 20__																																											
To _____		Name _____		City of Pacific P.O. Box 423 Pacific, AK 99908 Phone: (907) 567-8901																																											
For _____		REG PAY OVER- TIME		#1017 88-7204 3252 _____ 20__																																											
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>BAL FWD</td><td>TOTAL EARNINGS</td></tr> <tr><td>REG PAY</td><td>FICA</td></tr> <tr><td>OVER-TIME</td><td>SOC. SEC.</td></tr> <tr><td></td><td>MEDICARE</td></tr> <tr><td></td><td>U.S. INC. TAX</td></tr> <tr><td></td><td>STATE INC. TAX</td></tr> <tr><td></td><td>ESC</td></tr> <tr><td></td><td>OTHER</td></tr> <tr><td>TOTAL</td><td></td></tr> <tr><td>THIS CHECK</td><td></td></tr> <tr><td>BALANCE</td><td>NET PAY</td></tr> </table>		BAL FWD	TOTAL EARNINGS	REG PAY	FICA	OVER-TIME	SOC. SEC.		MEDICARE		U.S. INC. TAX		STATE INC. TAX		ESC		OTHER	TOTAL		THIS CHECK		BALANCE	NET PAY	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td colspan="2">TOTAL EARNINGS \$F</td></tr> <tr><td colspan="2">FICA</td></tr> <tr><td>SOCIAL SECURITY</td><td></td></tr> <tr><td>MEDICARE TAX</td><td></td></tr> <tr><td>WITHHOLDING</td><td></td></tr> <tr><td>U.S. INCOME TAX</td><td></td></tr> <tr><td>STATE INCOME TAX</td><td></td></tr> <tr><td>ESC</td><td></td></tr> <tr><td>OTHER</td><td></td></tr> <tr><td colspan="2">TOTAL DEDUCTIONS \$F</td></tr> </table>		TOTAL EARNINGS \$F		FICA		SOCIAL SECURITY		MEDICARE TAX		WITHHOLDING		U.S. INCOME TAX		STATE INCOME TAX		ESC		OTHER		TOTAL DEDUCTIONS \$F		PAY TO THE ORDER OF _____ \$ _____ DOLLARS VOID AFTER 90 DAYS MEMO _____ AUTHORIZED SIGNATURE _____ AUTHORIZED SIGNATURE _____ :~355218091:50 001195 0~: 00500	
BAL FWD	TOTAL EARNINGS																																														
REG PAY	FICA																																														
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BAL FWD	TOTAL EARNINGS																																														
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OVER-TIME	SOC. SEC.																																														
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BALANCE	NET PAY																																														
TOTAL EARNINGS \$F																																															
FICA																																															
SOCIAL SECURITY																																															
MEDICARE TAX																																															
WITHHOLDING																																															
U.S. INCOME TAX																																															
STATE INCOME TAX																																															
ESC																																															
OTHER																																															
TOTAL DEDUCTIONS \$F																																															

The Statement of Earnings and Deductions can also be a form included with the check, as shown on the next page.

Statement of Earnings and Deductions
Separate from payroll check.

STATEMENT OF EARNINGS AND DEDUCTIONS			
Employee's Name _____		Check Number: #1017	
Social Security Number _____		Pay From _____ To _____	
EARNINGS			
Regular Pay	\$		Gross Pay \$ _____
Overtime Pay	\$		
DEDUCTIONS			
Federal Withholding Tax	\$		Total Deductions \$ _____ NET PAY \$ _____
FICA Social Security	\$		
Medicare Tax	\$		
ESC Tax	\$		
Other	\$		

City of Pacific P.O. Box 423 Pacific, AK 99909 Phone: (907) 567-8901	# 1017 <u>89-7204</u> 3252 _____ 20 _____
<div style="display: flex; justify-content: space-between;"> <div> PAY TO THE ORDER OF _____ </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> \$ _____ </div> </div>	
_____ DOLLARS	
VOID AFTER 90 DAYS	
MEMO _____	_____ AUTHORIZED SIGNATURE _____ AUTHORIZED SIGNATURE
: "325272097:50 007795 0"; 22588	

Notes



Chapter 2

Exercise Payroll & Personnel Records

1. A personnel file should be set up for each new employee.
☐ True ☐ False

2. These files should contain at least:
 - ☐ Employment application
 - ☐ Social security number (SSN)
 - ☐ Hiring notice to employee
 - ☐ Result of reference checks
 - ☐ Copies of W -4 forms
 - ☐ Copy of employee's last year's income tax return

3. A W-4 identifies how many dependents the employee claims.
☐ True ☐ False

4. Employees must return a completed W-4 within one week of being hired.
☐ True ☐ False

5. Personnel files are confidential and shouldn't be available to anyone without the employee's written permission.
☐ True ☐ False

6. Personnel files should include a pay rate history.
☐ True ☐ False

7. Time sheets show the hours worked by an employee and should be kept for a few months in case a dispute over a pay check comes up.
☐ True ☐ False

8. Time sheets should be signed by the supervisor and the employee.
☐ True ☐ False
9. Pay records show earnings and deductions of an employee for each payroll.
☐ True ☐ False
10. Pay records are permanent files and should never be thrown away.
☐ True ☐ False
11. Pay records are used to record payroll information in the payroll journal for all employees.
☐ True ☐ False
12. Use the payroll journal to fill out quarterly tax reports.
☐ True ☐ False
13. The following taxes, at a minimum, must be calculated for hourly employees of: (Check all that apply)
- | Municipalities | Other employers |
|---|---|
| <input type="checkbox"/> ESC | <input type="checkbox"/> ESC |
| <input type="checkbox"/> FICA | <input type="checkbox"/> FICA |
| <input type="checkbox"/> FUTA | <input type="checkbox"/> FUTA |
| <input type="checkbox"/> Federal Income Tax | <input type="checkbox"/> Federal Income Tax |
| <input type="checkbox"/> Medicare | <input type="checkbox"/> Medicare |

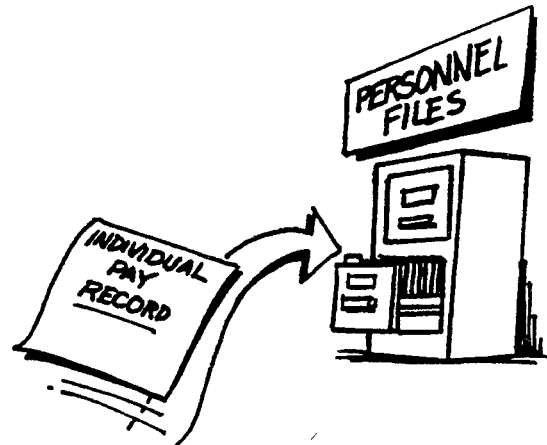


Chapter 2

Exercise Payroll & Personnel Records

Answer Sheet

1. True. (See page 20.)
2. Personnel files should include: (See page 20.)
 - ☒ Employment application
 - ☒ Social Security number
 - ☒ Hiring notice
 - ☒ Reference checks
 - ☒ Copies of W -4 forms
3. True. (See page 20.)
4. False. W-4 must be completed before beginning work. (See page 20.)
5. False. Personnel files are confidential. Only authorized individuals should have access, but employee permission isn't needed for those individuals. (See page 20.)
6. True. (See page 20.)
7. False. Keep time sheets a minimum of two years. (See page 26.)
8. True. (See page 24.)
9. True. (See page 27.)
10. True. (See page 27.)
11. True. (See page 28.)
12. True. (See page 28.)



13. The following taxes, at a minimum, must be calculated for hourly employees of "Municipalities" and "Other employers" (Check all that apply):

Municipalities (See Chapter 3 for information.)

☒ ESC

☒ FICA. Other than the Medicare portion, FICA is an option if the municipality is in a retirement program.

☐ FUTA. Municipalities are exempt from FUTA. Tribes are exempt **if they are current** with ESC payments.

☒ Federal Income Tax

☒ Medicare. If employee hired after March 31, 1986.

Other employers (See Appendix for information.)

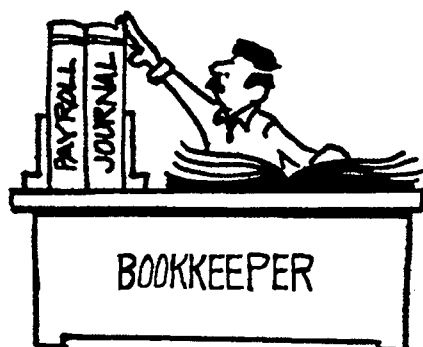
☒ ESC

☒ FICA

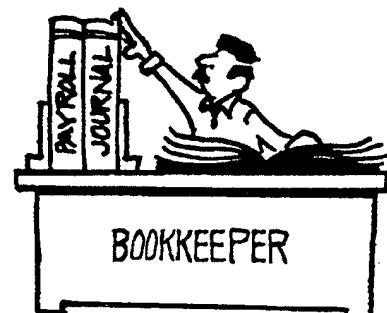
☒ FUTA (unless Tribal government & current with ESC)

☒ Federal Income Tax

☒ Medicare



Notes



Chapter 3

Payroll Calculations and Reporting

You need to be accurate when figuring payroll because:

- ♦ most employees don't know the withholding rules well enough to catch mistakes, and
- ♦ correcting mistakes in withholdings after they've been paid to the IRS is time consuming and difficult.

How Do I Figure Payroll and Pay Taxes?

Step 1. Get a Federal and State Employer Identification Number

Every employer must get a Federal Employer Identification Number (EIN) from the Internal Revenue Service (IRS). When the EIN is assigned by the IRS, you'll get federal payroll tax forms and tables needed to calculate federal taxes. You only apply for this EIN once. If your community has been an employer in the past, the community probably already has an EIN. **Don't apply for more than one EIN. It isn't necessary to get a separate EIN for a grant project!** An example of a completed application for a federal Employer Identification Number (EIN) is on the next page.

When you get the community's EIN you'll get Federal Tax Deposit Coupons, Form 8109. Keep these in a safe place where you can easily find them. When you make tax payments to the federal government you must use these coupons.

Federal Employer Identification Number (EIN) Application

Form **SS-4**(Rev. December 2001)
Department of the Treasury
Internal Revenue Service**Application for Employer Identification Number**

(For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.)

▶ See separate instructions for each line. ▶ Keep a copy for your records.

EIN

OMB No. 1545-0003

Type or print clearly.	1 Legal name of entity (or individual) for whom the EIN is being requested City of Shadow Cove		3 Executor, trustee, "care of" name		
	2 Trade name of business (if different from name on line 1)		5a Street address (if different) (Do not enter a P.O. box.) 101 Main Street		
	4a Mailing address (room, apt., suite no. and street, or P.O. box) P.O. Box 21		5b City, state, and ZIP code Shadow Cove, AK 99898		
	4b City, state, and ZIP code Shadow Cove, AK 99898		6 County and state where principal business is located Aleutians Borough of Alaska		
	7a Name of principal officer, general partner, grantor, owner, or trustor Raymond Attuk, Mayor		7b SSN, ITIN, or EIN SSN: 555-34-9187		
	8a Type of entity (check only one box) <input type="checkbox"/> Sole proprietor (SSN) _____ <input type="checkbox"/> Partnership _____ <input type="checkbox"/> Corporation (enter form number to be filed) ▶ _____ <input type="checkbox"/> Personal service corp. <input type="checkbox"/> Church or church-controlled organization <input type="checkbox"/> Other nonprofit organization (specify) ▶ _____ <input type="checkbox"/> Other (specify) ▶ _____		<input type="checkbox"/> Estate (SSN of decedent) _____ <input type="checkbox"/> Plan administrator (SSN) _____ <input type="checkbox"/> Trust (SSN of grantor) _____ <input type="checkbox"/> National Guard <input checked="" type="checkbox"/> State/local government <input type="checkbox"/> Farmers' cooperative <input type="checkbox"/> Federal government/military <input type="checkbox"/> REMIC <input type="checkbox"/> Indian tribal governments/enterprises Group Exemption Number (GEN) ▶ _____		
8b If a corporation, name the state or foreign country (if applicable) where incorporated State _____ Foreign country _____		9 Reason for applying (check only one box) <input type="checkbox"/> Started new business (specify type) ▶ _____ <input type="checkbox"/> Hired employees (Check the box and see line 12.) <input type="checkbox"/> Compliance with IRS withholding regulations <input checked="" type="checkbox"/> Other (specify) ▶ New City		<input type="checkbox"/> Banking purpose (specify purpose) ▶ _____ <input type="checkbox"/> Changed type of organization (specify new type) ▶ _____ <input type="checkbox"/> Purchased going business <input type="checkbox"/> Created a trust (specify type) ▶ _____ <input type="checkbox"/> Created a pension plan (specify type) ▶ _____	
10 Date business started or acquired (month, day, year) 5-1-2002		11 Closing month of accounting year June		12 First date wages or annuities were paid or will be paid (month, day, year). Note: If applicant is a withholding agent, enter date income will first be paid to nonresident alien. (month, day, year) ▶ 5-15-2002	
13 Highest number of employees expected in the next 12 months. Note: If the applicant does not expect to have any employees during the period, enter "-0-." ▶		Agricultural		Household	
14 Check one box that best describes the principal activity of your business. <input type="checkbox"/> Construction <input type="checkbox"/> Rental & leasing <input type="checkbox"/> Transportation & warehousing <input type="checkbox"/> Real estate <input type="checkbox"/> Manufacturing <input type="checkbox"/> Finance & insurance		<input type="checkbox"/> Health care & social assistance <input type="checkbox"/> Accommodation & food service <input checked="" type="checkbox"/> Other (specify) City Government		<input type="checkbox"/> Wholesale-agent/broker <input type="checkbox"/> Wholesale-other <input type="checkbox"/> Retail	
15 Indicate principal line of merchandise sold; specific construction work done; products produced; or services provided. City Government Services					
16a Has the applicant ever applied for an employer identification number for this or any other business? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Note: If "Yes," please complete lines 16b and 16c.					
16b If you checked "Yes" on line 16a, give applicant's legal name and trade name shown on prior application if different from line 1 or 2 above. Legal name ▶ _____ Trade name ▶ _____					
16c Approximate date when, and city and state where, the application was filed. Enter previous employer identification number if known. Approximate date when filed (mo., day, year) _____ City and state where filed _____ Previous EIN _____					
Third Party Designee	Complete this section only if you want to authorize the named individual to receive the entity's EIN and answer questions about the completion of this form.				
	Designee's name		Designee's telephone number (include area code) ()		
	Address and ZIP code		Designee's fax number (include area code) ()		
Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.					
Name and title (type or print clearly) ▶ Raymond Attuk, Mayor					Applicant's telephone number (include area code) (907) 567-3211
Signature ▶ <i>Raymond Attuk, Mayor</i> Date ▶ 5-1-2002					Applicant's fax number (include area code) (907) 567-3209

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 16055N

Form **SS-4** (Rev. 12-2001)

You must also get a State Employer identification Number (SEIN) from the Alaska Department of Labor and Workforce Development, Employment Security Division. Call the nearest Field Tax Office and ask for an Employer's Registration Form. The Juneau Registration Office will assign the SEIN to you. After making a copy, mail the completed form directly to the address shown on the top of the form.

When they assign the SEIN, they will send you ESC (State unemployment insurance) forms and instructions. Keep this paperwork handy; you'll need it to figure payroll and tax deposits. You only apply for a SEIN once. Make sure your community hasn't already been assigned a SEIN before applying.

Alaska Department of Labor & Workforce Development Employment Security Tax Offices

Juneau Employment Security Tax
(Located 1111 W. 8th St., Room 203)
P O Box 25509
Juneau, AK 99802-5509
Phone: 1-907-465-2757
FAX: 1-907-465-2374

Anchorage Employment Security Tax
(Located 3301 Eagle St., Room 103)
PO Box 241767
Anchorage, AK 99503-1767
Phone: 1-907-269-4850
FAX: 1-907-269-4845

Fairbanks Employment Security Tax
675 Seventh Ave., Station L
Fairbanks, AK 99701-4595
Phone: 1-907-451-2876
FAX: 1-907-451-2883

Wasilla Employment Security Tax
877 Commercial Drive
Wasilla, AK 99654-6937
Phone: 1-907-373-2682
FAX: 1-907-373-2683

Kenai Employment Security Tax
11312 Kenai Spur Hwy., Suite 2
Kenai, AK 99611-9106
Phone: 1-907-283-4478
FAX: 1-907-283-5152

Nome Employment Security Tax
(Located 197 Front Street, Room 319)
P.O. Box 1589
Nome, AK 99762-1589
Phone: 1-907-443-3037
FAX: 1-907-443-3038



Step 2. Get Employee Information

As discussed in Chapter 2, when an employee is hired and before beginning work, they fill out a W-4 form. This shows you how many deductions the employee is claiming, which you'll need when figuring how much federal income tax to withhold from that employee's pay.

Cut here and give Form W-4 to your employer. Keep the top part for your records.

Form W-4 Department of the Treasury Internal Revenue Service		Employee's Withholding Allowance Certificate ▶ For Privacy Act and Paperwork Reduction Act Notice, see page 2.		OMB No. 1545-0010 2002	
1 Type or print your first name and middle initial Judy S.		Last name Kirk		2 Your social security number 429 34 5566	
Home address (number and street or rural route) P.O. Box 11689		3 <input type="checkbox"/> Single <input checked="" type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note: If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.			
City or town, state, and ZIP code Fairbanks, AK 99709		4 If your last name differs from that on your social security card, check here. You must call 1-800-772-1213 for a new card. <input type="checkbox"/>			
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2) 2		6 \$ 0			
7 I claim exemption from withholding for 2002, and I certify that I meet both of the following conditions for exemption: • Last year I had a right to a refund of all Federal income tax withheld because I had no tax liability and • This year I expect a refund of all Federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here 7					
Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate, or I am entitled to claim exempt status.					
Employee's signature (Form is not valid unless you sign it.) ▶ Judy S. Kirk		Date ▶ 1-2-02			
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)		9 Office code (optional)		10 Employer identification number	

Cat. No. 10220Q

Put the employee's Social Security number, number of deductions claimed, and their current rate of pay on their "Pay Record" card. This will save you time when you calculate payroll.

PAY RECORD														
NAME		Judy S. Kirk		Soc. Sec No.		429-34-5566		Address		P.O. Box 11689				
Income Tax Status		M		No. of Exemptions		2		Rate of Pay		\$8.50/ hr.				
PERIOD ENDING	Reg. Hrs	O.T. Hrs	REGULAR PAY	O.T. PAY	GROSS PAY	FED. W/H TAX	FICA		ESC TAX	Voluntary Deductions	NET PAY	Chk. No.	Cumulative Net Pay	
							SS	Medicare						
01/15/02	80	-	680 00	0 00	680 00	37 00	42 16	9 86	3 40	0 00	587 58	110	587 58	
01/31/02	96	10	816 00	127 50	943 50	43 00	58 50	13 68	4 72	0 00	823 60	125	1411 18	
02/15/02	88	-	748 00	0 00	748 00	23 00	46 38	10 85	3 74	0 00	664 03	140	2075 21	
02/28/02	72	-	612 00	0 00	612 00	9 00	37 94	8 87	3 06	0 00	553 13	148	2628 34	
03/15/02	88	-	748 00	0 00	748 00	23 00	46 38	10 85	3 74	0 00	664 03	174	3292 37	
03/31/02	96	-	816 00	0 00	816 00	29 00	50 59	11 83	4 08	0 00	720 50	201	4012 87	

Step 3. Figure Payroll

Collect time sheets for each employee. Make sure the time sheets are signed by both the employee and the supervisor and that leave authorization forms (if needed) are attached and signed. Add the hours worked for each employee. Put this information on each employee's pay record.

Time Sheet – General

Employee John W. George Date 4/1/02

Employee Social Security Number 365 - 12 - 1194

Pay Period: From 3/16/02 To 3/31/02

Date	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total
Regular Hours	X	X	8	8	8	8	S	X	X	8	8	8	8	8	X	72
Overtime Hours																
Annual Leave																
Sick Leave							8									8
Holiday (Regular Time)																
Holiday (Overtime)																
Other																
Total Hours																80

Employee Signature John W. George

Supervisor Dale Williams

Charge to: General Fund – Streets

Leave Authorization

Name: John W. George SSN: 365-12-1194

Dates of Leave Requested: From 03/22 / 8:00 End: 03/22 / 5:00
Month Day Hour Month Day Hour

Type of Leave Requested ☐ Annual ☒ Sick ☐ LWOP ☐ Court

Approval of Request: _____
Supervisor

Leave Taken

Total Hours of Leave: ☐ Annual ☒ Sick ☐ LWOP ☐ Court

Employee Signature: John W. George Supervisor: Dale Williams

Date: 3-26-02 Date: 3-26-02

RETURN THIS FORM to Bookkeeper within 24 hours of completion of leave.

PAY RECORD

NAME John W. George Soc. Sec No. 365-12-1194 Address Box 45, Pacific, AK 99909

Income Tax Status M No. of Exemptions 4 Rate of Pay \$8.50 per hour

PERIOD ENDING	Reg. Hrs	O.T. Hrs	REGULAR PAY	O.T. PAY	GROSS PAY	FED. W/H TAX	FICA		ESC TAX	Voluntary Deductions	NET PAY	Chk. No.	Cumulative Net Pay
							SS	Medicare					
01/15/02	88	-	748 00	0 00	748 00	0 00	46 38	10 85	3 74	0 00	687 03	111	687 03
01/31/02	96	10	816 00	127 50	943 50	18 00	58 50	13 68	4 72	0 00	848 60	126	1535 63
02/15/02	88	-	748 00	0 00	748 00	0 00	46 38	10 85	3 74	0 00	687 03	141	2222 66
02/28/02	80	-	680 00	0 00	680 00	0 00	42 16	9 86	3 40	0 00	624 58	149	2847 24
03/15/02	88	-	748 00	0 00	748 00	0 00	46 38	10 85	3 74	0 00	687 03	175	3534 27
03/31/02	80	-	680 00	0 00	680 00	0 00	42 16	9 86	3 40	0 00	624 58	202	4158 85
Quarter Total					4547 50	18 00	281 96	65 95	22 74	0 00	4158 85		4158 85
Y-T-D Totals					4547 50	18 00	281 96	65 95	22 74	0 00	4158 85		4158 85

Calculation of Gross Pay
 $80 \text{ hrs} \times \$8.50 =$
 $\$680.00$

Show the hours worked on the Pay Record as either regular or overtime hours. Remember, in most cases anything over 40 hours per week or 8 hours per day is overtime and paid at 1 1/2 times the normal rate of pay. This is the information you need to figure gross pay.

Gross pay isn't what an employee gets in their paycheck. Before writing the employee's paycheck, you must withhold the amount each employee owes to the federal and State governments for taxes, social security and medicare, unemployment insurance, and any other deductions for employee benefit programs.

Gross pay is the amount of pay earned by an employee before any deductions.

Net pay is the amount paid to an employee after all deductions; it's the amount on the payroll check.

Calculate Federal Income Tax Withholding

Once you've figured the employee's gross pay, you can figure how much to deduct for federal income tax. Federal income tax is figured by using the Internal Revenue Service's *Circular E, Employer's Tax Guide*. Circular E has tables showing federal taxes owed based on gross wages earned and deductions claimed on an employee's W-4. Contact the IRS if you don't have the current *Circular E, Employer's Tax Guide*.

It's easy to figure federal income tax withholdings for each employee using the correct table in Circular E.





Department of the Treasury
Internal Revenue Service

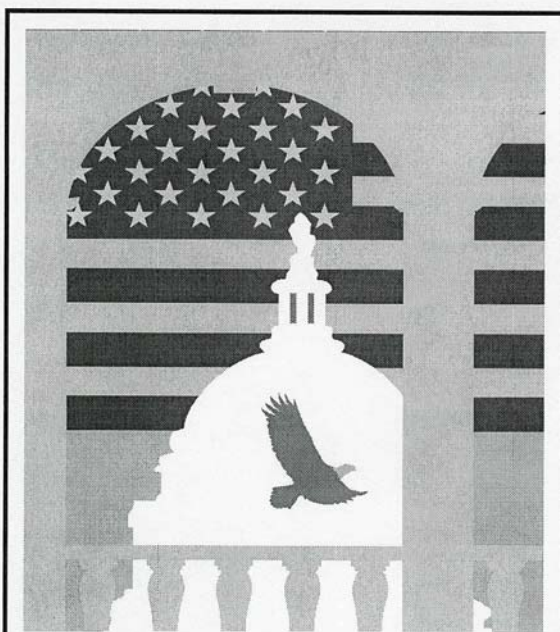
Publication 15

(Rev. January 2003)

Cat. No. 10000W

Circular E, Employer's Tax Guide

**(Including 2003 Wage
Withholding and Advance
Earned Income Credit
Payment Tables)**



**Get forms and other information
faster and easier by:**

Computer • www.irs.gov or **FTP** • [ftp.irs.gov](ftp://ftp.irs.gov)

FAX • 703-368-9694 (from your fax machine)

EFTPS
Electronic Federal Tax Payment System

IRS e-file
for Business

www.irs.gov/efile

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Quick and Easy Access to Tax Help and Forms	Back Cover

Change To Note

Social security and Medicare tax for 2003. The social security wage base for 2003 is \$87,000. There is no wage base limit for Medicare tax. The tax rate remains 6.2% for social security and 1.45% for Medicare tax.

If a married employee received semimonthly gross pay of \$680 and claimed 4 exemptions the federal income tax withheld would be \$0.

MARRIED Persons		SEMIMONTHLY Payroll Period										
		(For Wages Paid in 2003)										
If the wages are—		And the number of withholding allowances claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
The amount of income tax to be withheld is—												
\$0	\$270	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
270	280	1	0	0	0	0	0	0	0	0	0	0
280	290	2	0	0	0	0	0	0	0	0	0	0
290	300	3	0	0	0	0	0	0	0	0	0	0
300	310	4	0	0	0	0	0	0	0	0	0	0
310	320	5	0	0	0	0	0	0	0	0	0	0
320	330	6	0	0	0	0	0	0	0	0	0	0
330	340	7	0	0	0	0	0	0	0	0	0	0
340	350	8	0	0	0	0	0	0	0	0	0	0
350	360	9	0	0	0	0	0	0	0	0	0	0
360	370	10	0	0	0	0	0	0	0	0	0	0
370	380	11	0	0	0	0	0	0	0	0	0	0
380	390	12	0	0	0	0	0	0	0	0	0	0
390	400	13	0	0	0	0	0	0	0	0	0	0
400	410	14	1	0	0	0	0	0	0	0	0	0
410	420	15	2	0	0	0	0	0	0	0	0	0
420	430	16	3	0	0	0	0	0	0	0	0	0
430	440	17	4	0	0	0	0	0	0	0	0	0
440	450	18	5	0	0	0	0	0	0	0	0	0
450	460	19	6	0	0	0	0	0	0	0	0	0
460	470	20	7	0	0	0	0	0	0	0	0	0
470	480	21	8	0	0	0	0	0	0	0	0	0
480	490	22	9	0	0	0	0	0	0	0	0	0
490	500	23	10	0	0	0	0	0	0	0	0	0
500	520	24	11	0	0	0	0	0	0	0	0	0
520	540	26	13	1	0	0	0	0	0	0	0	0
540	560	28	15	3	0	0	0	0	0	0	0	0
560	580	30	17	5	0	0	0	0	0	0	0	0
580	600	32	19	7	0	0	0	0	0	0	0	0
600	620	34	21	9	0	0	0	0	0	0	0	0
620	640	36	23	11	0	0	0	0	0	0	0	0
640	660	38	25	13	0	0	0	0	0	0	0	0
660	680	40	27	15	0	0	0	0	0	0	0	0
680	700	42	29	17	0	0	0	0	0	0	0	0
700	720	44	31	19	0	0	0	0	0	0	0	0
720	740	46	33	21	8	0	0	0	0	0	0	0
740	760	48	35	23	10	0	0	0	0	0	0	0
760	780	50	37	25	12	0	0	0	0	0	0	0
780	800	53	39	27	14	1	0	0	0	0	0	0
800	820	56	41	29	16	3	0	0	0	0	0	0
820	840	59	43	31	18	5	0	0	0	0	0	0
840	860	62	45	33	20	7	0	0	0	0	0	0
860	880	65	47	35	22	9	0	0	0	0	0	0
880	900	68	49	37	24	11	0	0	0	0	0	0
900	920	71	52	39	26	13	1	0	0	0	0	0
920	940	74	55	41	28	15	3	0	0	0	0	0
940	960	77	58	43	30	17	5	0	0	0	0	0
960	980	80	61	45	32	19	7	0	0	0	0	0
980	1,000	83	64	47	34	21	9	0	0	0	0	0
1,000	1,020	86	67	49	36	23	11	0	0	0	0	0
1,020	1,040	89	70	51	38	25	13	0	0	0	0	0
1,040	1,060	92	73	54	40	27	15	2	0	0	0	0
1,060	1,080	95	76	57	42	29	17	4	0	0	0	0
1,080	1,100	98	79	60	44	31	19	6	0	0	0	0
1,100	1,120	101	82	63	46	33	21	8	0	0	0	0
1,120	1,140	104	85	66	48	35	23	10	0	0	0	0
1,140	1,160	107	88	69	50	37	25	12	0	0	0	0
1,160	1,180	110	91	72	53	39	27	14	1	0	0	0
1,180	1,200	113	94	75	56	41	29	16	3	0	0	0
1,200	1,220	116	97	78	59	43	31	18	5	0	0	0
1,220	1,240	119	100	81	62	45	33	20	7	0	0	0
1,240	1,260	122	103	84	65	47	35	22	9	0	0	0
1,260	1,280	125	106	87	68	49	37	24	11	0	0	0
1,280	1,300	128	109	90	71	52	39	26	13	0	0	0
1,300	1,320	131	112	93	74	55	41	28	15	2	0	0
1,320	1,340	134	115	96	77	58	43	30	17	4	0	0
1,340	1,360	137	118	99	80	61	45	32	19	6	0	0
1,360	1,380	140	121	102	83	64	47	34	21	8	0	0
1,380	1,400	143	124	105	86	67	49	36	23	10	0	0
1,400	1,420	146	127	108	89	70	51	38	25	12	0	0

Calculate Social Security (FICA) Tax

As the bookkeeper for a city or borough, you must know if your community belongs to the Social Security system. If your community is unincorporated, it's in the Social Security program.

Important Notice to Municipalities

Municipalities ~ participate in the Social Security program or some other approved retirement plan. Every city not in an approved retirement plan should be in the Social Security program and paying the full FICA tax. See page 47 for more information.

Regardless of whether or not a community participates in the Social Security program, the portion of FICA payments supporting Hospital Insurance (Medicare) must be withheld for any employee hired after March 31, 1986. For municipalities, this is especially important! Many cities aren't aware of this requirement. If you're participating in the Social Security System and paying the full FICA tax, the Medicare portion is already covered.

Once you determine if an employee's wages are affected by:

- the full FICA taxes (Social Security and Medicare);
- the Medicare portion only (all employees hired after March 31, 1986); or,
- none of the FICA taxes (certain types of employees hired before March 31, 1996, and if the city was in another retirement plan as of July 1, 1991), figure the FICA withholding by multiplying the gross wage by the current Social Security tax rate and the Medicare tax rate. Together these amounts represent the total FICA tax due. You must calculate Social Security and Medicare separately. In 1994, the wage base limit for Medicare was eliminated. ALL 2003 wages are subject to Medicare tax. The 2003 Social Security wage base limit is \$87,000. The tax reports require reporting them separately. Refer to Circular E for more information.

Example of How to Calculate FICA (Social Security and Medicare)

Gross wages earned this pay period equal \$680.

If the employer is in the Social Security system, calculate how much Social Security taxes are withheld from the employee's wages by multiplying the wages by the current Social Security tax rate:

Calculation of Social Security

$$\$680 \times 6.2\% = \$42.16$$

$$\$680 \times .062 = \$42.16$$

Once an employee's wages exceed the wage limit, don't withhold any more Social Security tax. For 2003, the limit is \$87,000 for Social Security.

Next, calculate the Medicare tax portion of FICA.

Calculation of Medicare

$$\$680 \times 1.45\% = \$9.86$$

$$\$680 \times .0145 = \$9.86$$

ALL wages are subject to Medicare tax.

If the employer isn't in the Social Security System but the employee was hired **after** March 31, 1986, multiply the wages by **only** the Medicare portion of the Social Security tax. By adding the Social Security tax and Medicare tax, the total employee FICA withholding is figured.

An Overview of Who is in Social Security, Who is Not, and Who can Get Out

Who is in Social Security

Political subdivision employers who wanted to provide retirement benefits to their employees signed 218 Agreements with the Social Security Administration so their employees could participate in Social Security as a retirement opportunity. Most of these 218 Agreements were signed in the 1960's and 1970's.

- Prior to July 1, 1991, employers could amend these agreements and opt out of Social Security and Medicare.
- After July 1, 1991, this option is not available to these employers and they must report all employees to Social Security and Medicare.

Bottom Line: An employer with a 218 Agreement can not opt out of Social Security reporting.

Who is NOT in Social Security

Many political subdivision employers chose to drop their 218 Agreements when the Public Employees' Retirement System (PERS) was established in 1961. They opted out of their Social Security agreements by doing Amendments.

- Cities and boroughs aren't required to participate in the Social Security portion of FICA if they were in an approved retirement program prior to July 1, 1991.
- Whether participating in Social Security or not, all employees hired after March 31, 1986, and their employers must pay the Medicare tax portion of FICA.

Who can get Out of Social Security

Employers who are not in a retirement system (qualified plan) and who were forced into Social Security in 1991. These employers can now choose to join a qualified plan, such as PERS, and drop Social Security

reporting for employees eligible to participate in the qualified retirement plan.

- Only full-time and part-time employees are eligible.
- Employees who are temporary, substitutes, or nonpermanent are **not** eligible. These employees must have Social Security withheld and reported for them.
- Whether participating in Social Security or not, all employees hired after March 31, 1986, and their employers must pay the Medicare tax portion of FICA.

Employers **cannot** opt out of Social Security if they were already in a retirement system prior to July 1, 1991, and were participating in Social Security. These employers have already established their relationship with the Social Security Administration and cannot change these presumed or written agreements.

For more information and assistance from the Division of Retirement and Benefits you can call:

- Kay Gouyton, Division Auditor, (907) 465-5707 or
- Carol Ochner, Internal Auditor, (907) 465-4469



Calculate Employment Security Contribution (ESC) Withholding Tax

Employment Security Contributions (ESC) pay employees when they're no longer working because they quit for a good reason or were laid off. To calculate the amount withheld from an employee's paycheck, multiply the gross wages by the current employee ESC tax rate. Remember, there's a maximum amount of wages taxed for ESC withholding. Any wages earned above this limit aren't taxed for ESC.

Calculation of ESC

$$\$680 \times .5\% = \$3.40$$

$$\$680 \times .005 = \$3.40$$

Once employee's wages exceed a certain amount, you don't withhold any more ESC tax. For 2003, that limit is \$26,700.

Contact the Alaska Department of Labor, Employment Security Division's nearest Field Tax Office for information on current ESC tax rates and maximum wages taxed for ESC. Field Tax Offices are listed on page 39.

For most small communities, federal income tax, Social Security tax, Medicare, and ESC are the only withholdings from employee paychecks. However, additional deductions may be required if your community participates in retirement, health insurance, or other benefit programs.

Assuming there are no other deductions, complete the Pay Record for each employee based on the previous directions.

Step 4. Make Out the Paychecks

Payroll checks usually have two stubs: one stub is left in the checkbook and one is given to the employee with the paycheck. These stubs are the Statement of Earnings and Deductions (see page 30). The stubs show information taken from the pay record including:

hours worked

rate of pay

gross pay

the amount of each deduction

the amount of each paycheck (net pay)

Fill out the stubs, then complete the paycheck. Refer back to page 41 for all amounts.

#201			
Date	April 15	20 02	Period Ending March 31 20 02
To	John W. George		
For	P.P.E. 3/31/02		
	REG PAY	680 00	
	OVER-TIME	0 00	
	TOTAL EARNINGS	680 00	
	FICA		
	SOC. SEC.	42 16	
	MEDICARE	9 86	
	U.S. INC TAX	0 00	
	STATE INC TAX	0 00	
	ESC	3 40	
	OTHER		
	TOTAL DED	55 42	
	NET PAY	624 58	
Bal FWD			
D E P O S I T S			
TOTAL THIS CHECK			
BALANCE			

#201			
80 hrs	REG PAY	8 50	680 00
0 hrs	OVER-TIME	0 00	0 00
TOTAL EARNINGS		680 00	
FICA			
SOCIAL SECURITY		42 16	
MEDICARE		9 86	
WITHHOLDING U.S. INCOME TAX		0 00	
STATE INCOME TAX		0 00	
ESC		3 40	
OTHER			
TOTAL DEDUCTIONS		55 42	
		624 58	

EMPLOYEE'S STATEMENT OF EARNINGS AND DEDUCTIONS
DETACH AND RETAIN

City of Pacific P.O. Box 423 Pacific, AK 99909 Phone (907) 567-8901	#201 89-7204 3252
Date April 15, 2002	
PAY TO THE ORDER OF John W. George	
Six Hundred twenty four dollars and fifty-eight cents	\$ 624.58
DOLLARS	
VOID AFTER 90 DAYS	
MEMO	James R. Williams Sasha John
1 : 325272097 1:50 III 007795 III 011	

#1017			
Date	April 15	20 02	Period Ending March 31 20 02
To	John W. George		
For	P.P.E. 3/31/02		
	REG PAY	6 75	540 00
	OVER-TIME	0 60	0 00
	TOTAL EARNINGS	540 00	
	FICA		
	SOCIAL SECURITY		
	MEDICARE		
	U.S. INC TAX	28 00	
	STATE INC TAX	0 00	
	ESC	0 00	
	OTHER		
	TOTAL DED	77 97	
	NET PAY	462 03	
Bal FWD			
D E P O S I T S			
TOTAL THIS CHECK			
BALANCE			

VOID

EMPLOYEE'S STATEMENT OF EARNINGS AND DEDUCTIONS
DETACH AND RETAIN

City of Pacific P.O. Box 423 Pacific, AK 99909 Phone (907) 567-8901	#1017 89-7204 3252
Date April 15, 2002	
PAY TO THE ORDER OF John W. George	
Five Hundred Forty dollars and no cents	\$ 540.00
DOLLARS	
VOID AFTER 90 DAYS	
MEMO	VOID
1 : 325272097 1:50 III 007795 III 011	

If you make an error, write "VOID" across the check and on the stub. Tear out the voided check and file it with other voided checks in case an auditor wants to see it.

The check stub stays with city's check book as a record of the check.

Record of earnings and deductions goes with pay check to the employee.

#201		Date April 15 20 02		Period Ending March 31 20 02	
To John W. George		Name John W. George			
For P.P.E. 3/31/02					
	REG PAY	680 00		80 hrs	REG PAY 8 50 680 00
	OVER-TIME	0 00		0 hrs	OVER-TIME 0 00 0 00
	TOTAL EARNINGS	680 00			TOTAL EARNINGS 680 00
Bal FWD	FICA				FICA
	SOC. SEC.	42 16			SOCIAL SECURITY 42 16
	MEDICARE	9 86			MEDICARE 9 86
	U.S. INC TAX	0 00			WITHHOLDING U.S. INCOME TAX 0 00
	STATE INC TAX	0 00			STATE INCOME TAX 0 00
	ESC	3 40			ESC 3 40
	OTHER				OTHER
TOTAL THIS CHECK	TOTAL DED.	55 42			TOTAL DEDUCTIONS 55 42
BALANCE	NET PAY	624 58			624 58

EMPLOYEE'S STATEMENT OF EARNINGS AND DEDUCTIONS
DETACH AND RETAIN

#201		Date April 15 20 02		Period Ending March 31 20 02	
To John W. George		Name John W. George			
For P.P.E. 3/31/02					
	REG PAY	680 00		80 hrs	REG PAY 8 50 680 00
	OVER-TIME	0 00		0 hrs	OVER-TIME 0 00 0 00
	TOTAL EARNINGS	680 00			TOTAL EARNINGS 680 00
Bal FWD	FICA				FICA
	SOC. SEC.	42 16			SOCIAL SECURITY 42 16
	MEDICARE	9 86			MEDICARE 9 86
	U.S. INC TAX	0 00			WITHHOLDING U.S. INCOME TAX 0 00
	STATE INC TAX	0 00			STATE INCOME TAX 0 00
	ESC	3 40			ESC 3 40
	OTHER				OTHER
TOTAL THIS CHECK	TOTAL DED.	55 42			TOTAL DEDUCTIONS 55 42
BALANCE	NET PAY	624 58			624 58

EMPLOYEE'S STATEMENT OF EARNINGS AND DEDUCTIONS
DETACH AND RETAIN

City of Pacific		#201	
P.O. Box 423		89-7204	
Pacific, AK 99909		3252	
Phone (907) 567-8901		Date April 15, 2002	
PAY			
TO THE ORDER OF John W. George		\$ 624.58	
Six Hundred twenty four dollars and fifty-eight cents		DOLLARS	
VOID AFTER 90 DAYS			
MEMO		James R. Williams	
		Sarha John	
1: 3252 7204 1: 50 111 007765 111 011			

Once all the payroll checks are made out, figure the balance of the checking account. This can be done by balancing your checkbook and completing the payroll journal (see Step 5). Make sure you have enough money to cover your payroll and taxes. A "bounced check" creates bad feelings and results in bank charges. The bank may eventually refuse your business if bounced checks happen regularly.

Step 5. Complete Payroll Records

After you've done the paychecks, your job isn't done. Payroll records must be filled out and the withholdings and employer's share of taxes (Social Security, Medicare, ESC, and possibly FUTA) must be paid.

First, transfer the information from each employee's payroll record to the payroll journal. Here's a step by step explanation of how to transfer information from the payroll records to the payroll journal.

Instructions for filling out a Payroll Journal

1. Record the beginning and ending dates of the payroll period in the space marked "payroll period from _____ to _____." The last date should agree with the "period ending" date on the pay record.
2. Put the employee's name from the pay record in the "name" column.
3. Record the employee's pay rate from the pay record.
4. Record the payroll information (hours, pay, deductions, and net pay) from the pay record.
5. Record the check number on the pay record.
6. Add all the employees payroll information (hours, pay, deductions, and net pay) within each department to obtain the department totals.
7. Finally, add the employees taxes for all departments. This is a total of all employee taxes withheld. This total is used to figure total taxes owed. (See worksheet on page 55.)

6 →

6 →

6 →

7 →

PAYROLL JOURNAL																		
Journal No. <u>2</u>		Payroll Period From <u>03/16/02</u>								To <u>03/31/02</u>								
DEPARTMENT/ NAME	Rate of Pay	Reg. Hrs	OT Hrs	EARNINGS			DEDUCTIONS					Net Pay		Chk. No.	Date of Payment			
				Reg. Pay	O.T. Pay	Gross Pay	Fed W/H	FICA		ESC								
ADMINISTRATION																		
IDO BOOKS	10 00	48	0	480 00	0 00	480 00	9 00	29 76	6 96	2 40	431 88	198	04/15/02					
IMA CLERK	8 00	80	20	640 00	240 00	880 00	68 00	54 56	12 76	4 40	740 28	199	04/15/02					
TOTAL ADMINISTRATION		128	20	1120 00	240 00	1360 00	77 00	84 32	19 72	6 80	1172 16							
PUBLIC SAFETY																		
JUDY KIRK	8 50	96	0	816 00	0 00	816 00	29 00	50 59	11 83	4 08	720 50	200	04/15/02					
TOTAL PUBLIC SAFETY		96	0	816 00	0 00	816 00	29 00	50 59	11 83	4 08	720 50							
PUBLIC WORKS																		
John George	8 50	80	0	680 00	0 00	680 00	0 00	42 16	9 86	3 40	624 58	201	04/15/02					
TOTAL PUBLIC WORKS		80	0	680 00	0 00	680 00	0 00	42 16	9 86	3 40	624 58							
TOTAL ALL DEPARTMENTS				2616 00	240 00	2856 00	106 00	177 07	41 41	14 28	2517 24							

After all the information has been recorded in the payroll journal, the journal should be "closed."

How to Close a Payroll Journal

- ❶ You need to total the amounts for each department if you haven't done so.
This shows how many hours were worked, how much pay was earned by the employees, how much was withheld, and how much was actually paid.
- ❷ Add the totals of the regular and overtime earnings columns for all departments.
This must equal the total of the gross pay column. This is a test to make sure you have figured gross pay correctly.
- ❸ Subtract the totals of the deductions columns from the total of the gross pay column for all departments.
The result must equal the total of the net pay column. This is a test to make sure that you have figured net pay correctly.

PAYROLL JOURNAL																	
Journal No.		2		Payroll Period From				03/16/02				To		03/31/02			
DEPARTMENT/ NAME	Rate of Pay	Reg. Hrs	OT Hrs	EARNINGS			DEDUCTIONS						Net Pay	Chk. No.	Date of Payment		
				Reg. Pay	O.T. Pay	Gross Pay	Fed W/H	FICA		Medicare	ESC						
ADMINISTRATION																	
IDO BOOKS	10 00	48	0	480 00	0 00	480 00	9 00	29 76	6 96	2 40	431 88	198	04/15/02				
IMA CLERK	8 00	80	20	640 00	240 00	880 00	68 00	54 56	12 76	4 40	740 28	199	04/15/02				
TOTAL ADMINISTRATION	1	128	20	1120 00	240 00	1360 00	77 00	84 32	19 72	6 80	1172 16						
PUBLIC SAFETY																	
JUDY KIRK	8 50	96	0	816 00	0 00	816 00	29 00	50 59	11 83	4 08	720 50	200	04/15/02				
TOTAL PUBLIC SAFETY	1	96	0	816 00	0 00	816 00	29 00	50 59	11 83	4 08	720 50						
PUBLIC WORKS																	
John George	8 50	80	0	680 00	0 00	680 00	0 00	42 16	9 86	3 40	624 58	201	04/15/02				
TOTAL PUBLIC WORKS	1	80	0	680 00	0 00	680 00	0 00	42 16	9 86	3 40	624 58						
TOTAL ALL DEPARTMENTS				2616 00	240 00	2856 00	106 00	177 07	41 41	14 28	2517 24						
				2	2	↑	/	/	/	/	3	↓					





$$2616 + 240 = \underline{2856}$$

$$106.00 + 177.07 + 41.41 + 14.28 = \underline{338.76}$$

$$2856.00 - 338.76 = \underline{2517.24}$$

Step 6. Pay Payroll Taxes

The last step is to pay the taxes you owe and the employees' withheld taxes to the federal and State government. The payroll journal is your basic source of information when figuring and paying federal and State taxes. Using the payroll journal, you can figure:

-  The amount of taxes withheld from employees' wages and paid to the IRS and the State.
-  The date the employee was paid, which determines the quarter the taxes are paid and reported to the federal and State government.
-  The amount owed as an employer for taxes.
-  The city department charged for payroll taxes.

Federal income tax and FICA (Social Security and Medicare)

Federal income taxes, Social Security and Medicare tax are paid to the federal government with the same check. Social Security and Medicare require equal payments from the employee and employer. To figure how much your community owes the federal government for withheld income tax, Social Security, and Medicare tax:

- identify the Social Security withholdings for all employees and double it;
- identify the Medicare withholdings for all employees and double it; and,
- add the Federal income tax withholdings for all employees.

This is the amount you must pay the federal government. Send a Federal Tax Deposit Coupon, Form 8109 or 8109-B, and the check to a bank qualified to receive payments. If you don't know which bank to send payments to, call the Internal Revenue Service (1-800-829-1040). The IRS may require you to send them the payment if it's under a certain amount.

To make sure Federal Income and Social Security taxes are correct, use the *Federal Payroll Tax Liability Worksheet* on the next page.

Federal Payroll Tax Liability Worksheet

Complete each time you issue payroll checks.

for Pay Period Ending (PPE) _____

Enter the total Social Security portion of FICA withheld from employees from your payroll journal: \$ _____ Line 1

Enter the total Medicare Tax portion of FICA withheld from employees from your payroll journal: \$ _____ Line 2

Computation of Federal Tax Liability:

A. TOTAL Social Security Tax: Double the amount on Line 1 above: \$ _____ Line 3

(Double the total Social Security Tax amount. This gives you the combined employer and employee contribution amount to pay. Remember, this is a federal tax paid equally by both the employer and employee.)

B. TOTAL Medicare Tax: Double the amount on Line 2 above. \$ _____ Line 4

C. Enter the total federal income tax withheld from employees: \$ _____ Line 5

(Use the total federal withholding taxes from your payroll journal for the pay period.)

Total Federal payroll tax liability for this payroll: \$ _____ Line 6
(Line 3 + Line 4 + Line 5 = Line 6)

Paid with check number: _____ Date mailed: _____

Note: When you make a deposit, be sure to write your EIN on the check (not the stub) and the payroll period involved.

This takes care of your federal tax liability for **this Pay Period**. Send the check to your Federal Reserve bank with a Federal Tax Deposit Coupon.

Prepared by: _____ Date _____

Approved by: _____ Date _____

Federal Payroll Tax Liability Worksheet
Complete each time you issue payroll checks.
 for Pay Period Ending (PPE) February 15, 2002

Enter the total Social Security portion of FICA withheld from employees from your payroll journal: \$ 182.04 Line 1

Enter the total Medicare Tax portion of FICA withheld from employees from your payroll journal: \$ 42.58 Line 2

Computation of Federal Tax Liability:

A. TOTAL Social Security Tax: Double the amount on Line 1 above: \$ 364.08 Line 3
 (Double the total Social Security Tax amount. This gives you the combined employer and employee contribution amount to pay. Remember, this is a federal tax paid equally by both the employer and employee.)

B. TOTAL Medicare Tax: Double the amount on Line 2 above: \$ 85.16 Line 4

C. Enter the total federal income tax withheld from employees: \$ 103.00 Line 5
 (Use the total federal withholding taxes from your payroll journal for the pay period.)

Total Federal payroll tax liability for this payroll: \$ 552.24 Line 6
 (Line 3 + Line 4 + Line 5 = Line 6)

Paid with check number: 104 Date mailed: 3/01/02

Note: When you make a deposit, be sure to write your EIN on the check (not the stub) and the payroll period involved.

This takes care of your federal tax liability for **this Pay Period**. Send the check to your Federal Reserve bank with a Federal Tax Deposit Coupon.

Prepared by: Ido Books, Bookkeeper Date _____

Approved by: James R. Williams Date _____

City of Pacific EIN 92-0100623 #104 89-7204
 P.O. Box 423 3252
 Pacific, AK 99909
 Phone (907) 567-8901

Date March 1, 2002

PAY
TO THE ORDER OF "Your Federal Reserve Bank" \$ 552.24

Five Hundred Fifty Two dollars and Twenty Four cents DOLLARS

VOID AFTER 90 DAYS

MEMO 2/01 to 2/15/02 James R. Williams
Sasha John

1: 3252 12097 1:50 111 007795 111 011

TAX YEAR MONTH → 06

AMOUNT OF DEPOSIT (Do NOT type, please print.)
 DOLLARS 552 CENTS 24

EMPLOYER IDENTIFICATION NUMBER → 920100623

BANK NAME/ DATE STAMP

Name City of Pacific
 Address P.O. Box 423
 City Pacific
 State AK ZIP 99909
 Telephone number (907) 567-8901

IRS USE ONLY

Darken only one TYPE OF TAX		Darken only one TAX PERIOD	
<input checked="" type="checkbox"/> 941	<input type="checkbox"/> 945	<input checked="" type="checkbox"/> 1st Quarter	
<input type="checkbox"/> 990-C	<input type="checkbox"/> 1120	<input type="checkbox"/> 2nd Quarter	
<input type="checkbox"/> 943	<input type="checkbox"/> 990-T	<input type="checkbox"/> 3rd Quarter	
<input type="checkbox"/> 720	<input type="checkbox"/> 990-PF	<input type="checkbox"/> 4th Quarter	
<input type="checkbox"/> CT-1	<input type="checkbox"/> 1042		
<input type="checkbox"/> 940			

35

FOR BANK USE IN MICR ENCODING

Federal Tax Deposit Coupon
Form 8109-B (Rev. 12-2000)

Once you've figured what is owed for federal income tax and FICA, pay what you owe. When you should pay depends on the amount of undeposited payroll taxes. The federal government requires that once the taxes held by an employer exceed a certain amount, a deposit must be made to a qualified bank. Failure to do so results in fines and penalties. Determining when payroll taxes must be deposited can be complicated.

This Department recommends that you pay your payroll taxes when you issue your paychecks.

Payroll Tax Deposit Schedules

There are two deposit schedules - monthly or semiweekly - for determining when you deposit Federal employment and withholding taxes (other than FUTA taxes). The IRS will notify you each November whether you are a monthly or semiweekly depositor for the coming calendar year. The rules apply to Social Security and Medicare taxes and Federal income tax withheld on wages, tips, and sick pay. Your deposit schedule for a calendar year is determined from the total taxes reported on your Form 941 in a four-quarter lookback period - July 1 through June 30. If you reported \$50,000 or less of employment taxes for the lookback period, you are a monthly depositor; if you reported more than \$50,000, you are a semiweekly depositor.

- Under the monthly rule, employment and other taxes withheld on payments made during a calendar month must be deposited by the 15th day of the following month.
- Under the semiweekly rule, employment and other taxes withheld on payments made on Wednesday, Thursday, and/or Friday must be deposited by the following Wednesday. Amounts accumulated on payments made on Saturday, Sunday, Monday, and/or Tuesday must be deposited by the following Friday.

Payroll Day	Deposit by Day
Wednesday, Thursday, or Friday	Wednesday
Saturday, Sunday, Monday, Tuesday	Friday

For new employers, during the first calendar year of your business, your tax liability for each quarter in the lookback period is considered to be zero. Therefore, you are a monthly depositor for the first year of business. For more information see Circular E.

Use Form 8109 to make federal tax deposits. Form 8109, Federal Tax Deposit Coupon, has the employer information preprinted on the coupon. These Federal Tax Deposit Coupons are sent to you from the IRS. Make sure a coupon accompanies your payments. If you run out of Form 8109, use Form 8109-B. These 8109-B coupons aren't preprinted and you'll need to fill out the employer information. If you're running out of 8109 coupons, call the IRS for more.

Federal Payroll Tax Liability Worksheet
Complete each time you issue payroll checks.
for Pay Period Ending (PPE) March 31, 2002

Enter the total Social Security portion of FICA withheld from employees from your payroll journal: \$ 177.07 Line 1

Enter the total Medicare Tax portion of FICA withheld from employees from your payroll journal: \$ 41.41 Line 2

Computation of Federal Tax Liability:

A. TOTAL Social Security Tax: Double the amount on Line 1 above: \$ 354.14 Line 3
(Double the total Social Security Tax amount. This gives you the combined employer and employee contribution amount to pay. Remember, this is a federal tax paid equally by both the employer and employee.)

B. TOTAL Medicare Tax: Double the amount on Line 2 above. \$ 82.82 Line 4

C. Enter the total federal income tax withheld from employees: \$ 106.00 Line 5
(Use the total federal withholding taxes from your payroll journal for the pay period.)

Total Federal payroll tax liability for this payroll: \$ 542.96 Line 6
(Line 3 + Line 4 + Line 5 = Line 6)

Paid with check number: 202 Date mailed: 4/16/02

Note: When you make a deposit, be sure to write your EIN on the check (no

Note: The number that you enter for the TAX YEAR MONTH on the 8109 or 8109-B form is the ending month of your fiscal year. Most communities are on the State fiscal year so you will enter "06" for June.

Form 8109-B

This takes care of your federal tax deposit. Reserve bank with a Federal Reserve Bank.

Prepared by: Ido Book
Approved by: James

TAX YEAR MONTH → 06

AMOUNT OF DEPOSIT (Do NOT type, please print.)

DOLLARS		CENTS
5	4	29
6		6

EMPLOYER IDENTIFICATION NUMBER → 920100623

BANK NAME/DATE STAMP Name City of Pacific

Darken only one TYPE OF TAX

<input checked="" type="checkbox"/> 941	<input type="checkbox"/> 945	<input checked="" type="checkbox"/> 1st Quarter
<input type="checkbox"/> 990-C	<input type="checkbox"/> 1120	<input type="checkbox"/> 2nd Quarter
<input type="checkbox"/> 943	<input type="checkbox"/> 990-T	<input type="checkbox"/> 3rd Quarter
<input type="checkbox"/> 720	<input type="checkbox"/> 990-PF	<input type="checkbox"/> 4th Quarter
<input type="checkbox"/> CT-1	<input type="checkbox"/> 1042	
<input type="checkbox"/> 940		

Darken only one TAX PERIOD

35

FOR BANK USE IN MICR ENCODING

City of Pacific EIN **92-0100623** #**202** **89-7204**
P.O. Box 423 **3252**
Pacific, AK 99909
Phone (907) 567-8901

Date April 15, 2002

PAY TO THE ORDER OF "Your Federal Reserve Bank" **\$ 542.96**

Five Hundred forty two dollars and ninety six cents **DOLLARS**

VOID AFTER 90 DAYS

MEMO 3/15 to 3/31/02 James R. Williams
Sarha John

1: 3252720971:50 111 007795 111 011

As you can see from this example, the City of Pacific chose to pay their federal payroll taxes with six checks during the quarter instead of one check at the end of the quarter. The six checks were as follows:

Pay Period	Wages	Fed. Payroll Tax	Check Mailed
1/1 – 1/15	2,868.00	555.82	2/1
1/16 – 1/31	3,327.00	650.04	2/16
2/1- 2/15	2,936.00	552.24	3/1
2/16 – 2/28	2,732.00	506.99	3/16
3/1 – 3/15	2,936.00	552.24	4/1
3/16 – 3/31	2,856.00	542.96	4/16
Totals	\$17,655.00	\$3,360.29	

See example on page 56.

See example on page 58.

See Form 941 on page 60.

Employer's Quarterly Federal Tax Return (Form 941)

Regardless of when deposits are made, an Employer's Quarterly Federal Tax Return, Form 941, is filled out at the end of every three months. Use Form 941 to report deposits made for Federal Income Tax withheld and FICA. If you deposited the taxes owed semi -monthly, weekly or after each pay period, Form 941 shows the amount of the total Federal Tax Deposits made that quarter. This is the sum of all the deposits you made after each payroll.

- ✓ **DCED recommends that you pay your taxes at the end of each pay period to avoid running short of cash.**
- ✓ **Paying taxes when you write payroll checks also avoids forgetting to pay the taxes.**
- ✓ **Not having enough money to pay your taxes or forgetting to pay will cost the community money in interest and fines.**

The purpose of the Employer's Quarterly Federal Tax Return, Form 941, is to show the IRS how taxes were figured. See example on next page.

Form **941** (Rev. 1-2002)

Federal Unemployment Tax Act (FUTA)

Remember, cities and boroughs don't pay FUTA. Tribal Councils don't pay FUTA if they are current with ESC. This discussion is for unincorporated, non-tribal communities.

FUTA is a tax supporting unemployment benefits to workers. **It's paid by the employer only.** For 2002 & 2003 the tax rate is 6.2%. The tax applies to the first \$7,000 you pay each employee for the year. However, an Alaskan employers that properly paid their ESC, the employer pays .8% (.008) of the gross wages.

To determine the amount of FUTA taxes to deposit by January 31:

1. Examine the Pay Record for each employee.
2. Look at the gross amount earned at the beginning of each quarter for the employee. If this amount is greater than the wage limit (\$7,000), you don't need to pay FUTA taxes for the quarter on this employee.
3. If the gross wages earned at the beginning of the quarter are less than the wage limit, but the amount at the end of the quarter is more than the limit, tax is paid only on the difference between the wage limit (\$7,000) and the total earnings for the tax year at the beginning of the quarter.
4. Multiply the amount of FUTA taxable earnings for the quarter by the tax rate and record the amount. The total FUTA tax for all employees is the amount owed by the employer to the IRS.

Form 8109, Federal Tax Deposit Coupon, is used to deposit FUTA taxes. You black out the 940 circle in the "type of tax" portion of the coupon to deposit FUTA taxes. FUTA deposits are made at the end of a quarter when the total FUTA tax liability is \$100 or more. Send FUTA deposits to a bank qualified to receive the payments, using Form 8109 or 8109-B. FUTA reports are made once a year. If you have paid all of your State ESC taxes for the year, you may use Form 940-EZ. If you haven't paid all of your State ESC taxes, you must use Form 940.

Note: The employee Pay Record and the Payroll Journal **don't** have columns for FUTA. FUTA is paid **only** by employers. Don't withhold any money from employees for FUTA taxes.

Employment Security Contributions (ESC)

ESC is also unemployment insurance. However, ESC supports State unemployment benefits.

All employers must pay ESC.

Employers must report ESC taxes quarterly. ESC payments are made at least quarterly but may be paid more frequently. ESC is paid through payroll deductions from the employees and employer's contributions. The rate for all Alaskan employees is set each year.

The rate paid by an employer depends on the "Experience Rate," which is based on the Quarterly Decline Quotient and takes the employer's Quarterly Payroll History into account. Check your **Notice of Contribution Rate for Calendar Year**. This notice is sent by the Alaska Department of Labor each December to employers and notifies the employer of the rate that the employer must pay. In the example shown, the Experience Rate used is 4.94%. **Your experience rate may be different.**

Like FUTA and FICA, there's a limit on an employee's earnings taxed under ESC. Once gross wages exceed that amount (\$26,700 in 2003), no more payments for ESC are required of the employee or employer. However, the employer is still required to file a report each Quarter. Contact the nearest Field Tax Office (page 86) for information on exempt employees and casual labor.

Use the State Payroll Tax Liability Worksheet on the next page to make sure that your calculations are correct.



State Payroll Tax Liability Worksheet

Payroll Period: _____ Payroll Journal No.: _____

Gross wages of employees: _____

A. Total employees ESC

(Gross wages times .5%)

(_____ x .005) \$ _____

B. Total employer ESC

(Gross wages times Experience Rate Percent)

(_____ x _____) \$ _____

Total ESC Liability

(**A + B**) \$ _____

Refer back to the Payroll Journal on page 52. in the example below, the Experience Rate is 4.94%. *Your experience rate may be different.*

State Payroll Tax Liability Worksheet

Payroll Period: 3/16/02 – 3/31/02 Payroll Journal No.: 2

Gross wages of employees: \$2856.00

A. Total employees ESC

(Gross wages times .5%)

(\$2856.00 x .005) \$ 14.28

B. Total employer ESC

(Gross wages times Experience Rate Percent)

(\$2856.00 x .0494) \$ 141.09

Total ESC Liability

(**A + B**) \$ 155.37

The employer is responsible for completing and sending an Employer's Quarterly Report to the Department of Labor, Employment Security Division. The Quarterly Report shows the amount of ESC taxes required from the employer and the employees. The report is due on April 30, July 31, October 31, and January 31, of each year. Payments are required no later than these dates for the preceding three months but may be made more frequently. Some communities have problems with cash flow and can't make quarterly payments. These communities pay ESC taxes each time payroll is calculated to avoid not having sufficient money to pay the Alaska Department of Labor & Workforce Development (DOLWD) at the end of each quarter.

DCED recommends you pay your ESC taxes each time you issue payroll checks if you have a cash flow problem.

A community that wants to make ESC tax payments for each payroll should contact the Fairbanks Tax Office of the Department of Labor & Workforce Development at 1-907-451-2876, to notify DOLWD the community will be sending multiple payments for each quarter. Write the community's Employer Account Number on the check and send a letter with the check explaining the payment. You can send the payment to the Fairbanks Tax Office or to the Juneau Office (see page 86 for mailing addresses). The Quarterly Report must be sent to Juneau or file electronically at: www.labor.state.ak.us/estax.

Alaska Quarterly Contribution Report																																																																																														
THE 2003 TAXABLE WAGE BASE FOR EACH EMPLOYEE IS \$ 26,700.																																																																																														
Quarter Ending:		Due Date:		Employer Account No:																																																																																										
FEIN:		<div style="display: flex; justify-content: space-between;"> <div> 1. For each month, report the number of workers who worked during or received pay for the payroll period, which includes the 12th of the month. </div> <div> <table border="1" style="font-size: 8px;"> <tr><th colspan="3">If Alone enter "0"</th></tr> <tr><th>1st Month</th><th>2nd Month</th><th>3rd Month</th></tr> <tr><td> </td><td> </td><td> </td></tr> </table> </div> </div>			If Alone enter "0"			1 st Month	2 nd Month	3 rd Month																																																																																				
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I hereby certify that the information on this report is true and correct. Signed: _____ Title: _____ Date: _____																																																																																														
Printed Name: _____ Contact Telephone Number: () _____ Alaska Department of Labor & Workforce Development, Employment Security Tax, PO Box 25506, Juneau, AK 99802-5506 <small>TTCNTC 1004-3a (12/02)</small>																																																																																														

NOTE: In the example below, the Experience Rate used is 4.94%. your experience rate may be different. Check your **Notice of Contribution Rate for Calendar Year**. This notice is sent yearly to employers from the Alaska Department of Labor and Workforce Development.

ESC payment for Pay Period 1/1/02 through 1/15/02

City of Pacific
P.O. Box 423
Pacifica, AK 99909

January 31, 2002

Dept. of Labor
Fairbanks Field Tax Office
675 Seventh Ave. Station L
Fairbanks, AK 99701-2876

RE: Employer Account No. 0008914465

Dear: DOL

Enclosed is the City of Pacific's ESC tax payment for Pay Period Ending 01/15/02.

Please credit our account for \$ 156.02 (check # 091). Thank You.

Sincerely,
Ido Books
Ido Books
Bookkeeper

Enclosure

City of Pacific P.O. Box 423 Pacifica, AK 99909 Phone (907) 567-8901	Account #0008914465	#091	89-7204 3252
			Date January 31, 2002
PAY TO THE ORDER OF Dept. of Labor, Div of Employment Security			\$ 156.02
One Hundred Fifty Six dollars and Two cents			DOLLARS
VOID AFTER 90 DAYS			
MEMO ESC taxes PPE 1/15/02			<i>James R. Williams</i> <i>Sasha John</i>
⑆ 3252 12091 1:50 111 007785 111 01⑆			

ESC payment for Pay Period 1/15/02 Through 1/31/02

City of Pacific P.O. Box 423 Pacifica, AK 99909 Phone (907) 567-8901	Account #0008914465	#105	89-7204 3252
			Date February 15, 2002
PAY TO THE ORDER OF Dept. of Labor, Div of Employment Security			\$ 180.99
One Hundred Eighty dollars and Ninety Nine cents			DOLLARS
VOID AFTER 90 DAYS			
MEMO ESC taxes PPE 1/31/02			<i>James R. Williams</i> <i>Sasha John</i>
⑆ 3252 12091 1:50 111 007785 111 01⑆			

City of Pacific
P.O. Box 423
Pacifica, AK 99909

February 15, 2002

Dept. of Labor
Fairbanks Field Tax Office
675 Seventh Ave. Station L
Fairbanks, AK 99701-2876

RE: Employer Account No. 0008914465

Dear: DOL

Enclosed is the City of Pacific's ESC tax payment for Pay Period Ending 01/31/02.

Please credit our account for \$ 180.99 (check # 105). Thank You.

Sincerely,
Ido Books
Ido Books
Bookkeeper

Enclosure

City of Pacific
P.O. Box 423
Pacifica, AK 99909

February 28, 2002

Dept. of Labor
Fairbanks Field Tax Office
675 Seventh Ave. Station L
Fairbanks, AK 99701-2876

RE: Employer Account No. 0008914465

Dear: DOL

Enclosed is the City of Pacific's ESC tax payment for Pay Period Ending 01/31/02.

Please credit our account for \$ 159.72 (check # 172). Thank You.

Sincerely,
Ido Books
Ido Books
Bookkeeper

Enclosure

ESC payment for Pay Period 02/01/02 through 02/15/02

City of Pacific P.O. Box 423 Pacifica, AK 99909 Phone (907) 567-8901	Account #0008914465	#172	89-7204 3252
			Date February 28, 2002
PAY TO THE ORDER OF <u>Dept. of Labor, Div of Employment Security</u>		\$ 159.72	
One Hundred Fifty Nine dollars and Seventy Two cents		DOLLARS	
VOID AFTER 90 DAYS			
MEMO <u>ESC taxes PPE 2/15/02</u>		<u>James R. Williams</u> <u>Sasha John</u>	
1 : 3252 32097 1:50 111 00795 111 01*			

Continuing with this example, the ESC payment for Pay Period 02/16/02 through 02/28/02 would be \$148.62 and would be mailed on March 15, 2002. The ESC payment for Pay Period 03/01/02 through 03/15/02 would be \$159.72 and would be mailed on March 31, 2002.

End of the Quarter: Complete the Employer's Quarterly Report and include a check of \$155.37 for the final Pay Period 3/16/02 through 3/31/02 ESC payment. The Quarterly ESC report and payment would be mailed to the Juneau office on April 15, 2002. See the next page.

Notes

Alaska Quarterly Contribution Report THE 2002 TAXABLE WAGE BASE FOR EACH EMPLOYEE IS \$ 26,000.																																																																																																	
Quarter Ending: 3/31/02		Due Date: 4/30/02		Employer Account No: 0008914465																																																																																													
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AGENCY USE ONLY		5. Taxable wages paid this quarter. \$ 17,655.00 6. Employer's Contribution Employer's Rate 4.94 % \$ 872.16 7. Employee's Contribution Employee's Rate .50 % \$ 88.28 8. Total Contributions Due Total Rate 5.44 % \$ 960.44 9. Prior Balance as of \$ 10. Amount Remitted \$ 155.37				<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; text-align: center;">FOLD IN HALF</td> <td style="width: 33%; text-align: center;">NO CHECK STUBS PLEASE</td> <td style="width: 33%; text-align: center;">FOLD IN HALF</td> </tr> </table>		FOLD IN HALF	NO CHECK STUBS PLEASE	FOLD IN HALF																																																																																							
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A report must be filed even if no wages are paid for the quarter. You may now file your quarterly contribution report on-line. Please visit our web site located at www.labor.state.ak.us/estax or call 1-888-448-3527. To amend your quarterly report, please submit a "Correction of Wage Item", Form 1462-A available on-line.																																																																																																	
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I hereby certify that the information on this report is true and correct. Signed: <u>Ido Books</u> Title: <u>Bookkeeper</u> Date: <u>4/15/02</u> Printed Name: <u>Ido Books</u> Contact Telephone Number: (<u>907</u>) <u>567-8901</u> Alaska Department of Labor & Workforce Development, Employment Security Tax, PO Box 25506, Juneau, AK 99802-5506 <small>TCNTC 1004-3a (12/02)</small>																																																																																																	

- April 30
- July 31
- October 31
- January 31

City of Pacific	Account #0008914465	#345	
P.O. Box 423			89-7204
Pacific, AK 99909			3252
Phone (907) 567-8901			
Date April 15, 2002			
PAY			
TO THE ORDER OF Dept. of Labor, Div of Employment Security			\$ 155.37
One Hundred Fifty Five dollars and Thirty Seven cents			DOLLARS
VOID AFTER 90 DAYS			
MEMO ESC taxes PPE 3/31/02			James R. Williams Sasha John
1: 3252 12071 1:50 111 007785 111 011			

By January 31 you must give or send each employee a wage and tax statement, called a W-2 form. By February 28 you must send originals of all the W-2's under the cover of a W-3 to the Social Security Administration. Each December the years W-2's and W-3's are available from the IRS, at 1-800-829-3676 or on the Web at www.irs.gov.

- ✓ The gross salary.
- ✓ Total deductions for FICA (Social Security and Medicare).
- ✓ Federal taxes withheld.

a Control number		22222		Void <input type="checkbox"/>		For Official Use Only ▶ OMB No. 1545-0008							
b Employer identification number 92-0100623				1 Wages, tips, other compensation		2 Federal income tax withheld							
				\$ 17,460.87		\$ 251.00							
c Employer's name, address, and ZIP code City of Pacific P.O. Box 423 Pacific, AK 99909				3 Social security wages		4 Social security tax withheld							
				\$ 17,460.87		\$ 1082.57							
				5 Medicare wages and tips		6 Medicare tax withheld							
				\$ 17,460.87		\$ 253.18							
d Employee's social security number 365-12-1194				7 Social security tips		8 Allocated tips							
				\$		\$							
e Employee's first name and initial John W		Last name George		9 Advance EIC payment		10 Dependent care benefits							
				\$		\$							
				11 Nonqualified plans		12a See instructions for box 12							
				\$		\$							
P.O. Box 45 Pacific, AK 99909		13 Statutory employee <input type="checkbox"/>		Retirement plan <input type="checkbox"/>		Third-party sick pay <input type="checkbox"/>							
		14 Other		12b									
				\$									
				12c									
				\$		12d							
						\$							
f Employee's address and ZIP code													
15 State		Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.		19 Local income tax		20 Locality name	
				\$		\$		\$		\$			
				\$		\$		\$		\$			

W-2 Wage and Tax Statement (99)

Copy A For Social Security Administration—Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.

2002

(Rev. February 2002)

Cat. No. 10134D

Department of the Treasury—Internal Revenue Service

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Payments from retirement Plans to retired employees

Pension, annuity, or retirement payments made to former employees by the employer are reported using Form W-2P. This is unnecessary for small communities participating in Social Security as their only retirement program.

Form W –3

Form W-3 transmits W-2 forms to the Social Security Administration. Send form W-3 and the W-2 forms on or before February 28 to:

Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001

When the Social Security Administration receives the W-2's and W-3 they will pull a comparison between the figures on the years 941's, W-2's and W-3. You need to insure you figures are correct before filing the 4th Quarter 941 and sending the W-2's and W-3 to the Social Security Administration. Use the following form to reconcile the returns.

Reconciling of Forms 941, W-2, and W-3					
	941 Line #	941 All 4 Qtrs.	W-2 & W-3 Box #	W-2 Total all forms	W-3
Wages	Line 2		Box 1		
Fed Inc Tax	Line 3		Box 2		
SS Wages	Line 6a		Box 3		
SS Tips	Line 6c		Box 7		
SS Tax	Line 6b & 6d				
	Line 6b & 6d Divided by 2		Box 4		
Med Wages	Line 7		Box 5		
Med Tax	Line 7b				
	Line 7b Divided by 2		Box 6		

DO NOT STAPLE OR FOLD

a Control number		33333		For Official Use Only OMB No. 1545-0008	
b Kind of Payer	<input type="checkbox"/> 941	<input type="checkbox"/> Military	<input type="checkbox"/> 943	1 Wages, tips, other compensation	2 Federal income tax withheld
	<input type="checkbox"/> CT-1	<input type="checkbox"/> Hshld. emp.	<input type="checkbox"/> Medicare govt. emp.	<input type="checkbox"/> Third-party sick pay	<input type="checkbox"/> Social security wages
					<input type="checkbox"/> Social security tax withheld
					<input type="checkbox"/> Medicare wages and tips
c Total number of Forms W-2		d Establishment number		<input type="checkbox"/> Medicare tax withheld	<input type="checkbox"/> Allocated tips
e Employer identification number				<input type="checkbox"/> Social security tips	<input type="checkbox"/> Advance EIC payments
f Employer's name				<input type="checkbox"/> Nonqualified plans	<input type="checkbox"/> Dependent care benefits
				<input type="checkbox"/> For third-party sick pay use only	<input type="checkbox"/> Deferred compensation
g Employer's address and ZIP code				<input type="checkbox"/> Income tax withheld by payer of third-party sick pay	
h Other EIN used this year					
15 State	Employer's state ID number			16 State wages, tips, etc.	17 State income tax
				<input type="checkbox"/> Local wages, tips, etc.	<input type="checkbox"/> Local income tax
Contact person				Telephone number ()	For Official Use Only
E-mail address				Fax number ()	

Under penalties of perjury, I declare that I have examined this return and accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature _____ Title _____ Date _____

Form **W-3 Transmittal of Wage and Tax Statements** **2002**

Send this entire page with the entire Copy A page of Form(s) W-2 to the Social Security Administration. Photocopies are not acceptable.

Do not send any payment (cash, checks, money orders, etc.) with Forms W-2 and W-3.

Department of the Treasury
Internal Revenue Service

Notes



What's Next?

Once you've calculated payroll costs and paid your taxes, enter the information in your bookkeeping system. The information in the Payroll Journal on employee wages, deductions, and employer taxes is reported in the Cash Disbursements Journal. The Payroll Journal is also used for monthly financial reports and annual balance statements.

If your community doesn't have an adequate record keeping system to report payroll and tax information, contact the closest regional office of the Department of Community and Economic Development.

NOTES



NOTES

Miscellaneous Subjects

Delinquent Federal Taxes Owed by an Employee

The Internal Revenue Service may make an agreement with an employee for paying delinquent (overdue) taxes. The agreement shows that a stated amount, in addition to regular tax withholdings, will be deducted from the employee's salary until the tax owed has been paid. When notification is received, send it immediately to the payroll clerk for processing.

When the employee doesn't agree to allow additional withholdings to pay taxes owed, the IRS may levy the pay of an employee. The IRS issues a notice of levy. If the city or village gets a notice of levy, send it immediately to the payroll clerk for processing.

"Levy" is defined as the imposition or collection of an amount owed.

- ✓ A valid notice of levy must be served either by a properly identified employee of the IRS in person or through the mail.
- ✓ The notice of levy must be acknowledged by the community's administrator (manager, mayor, or village council president) who writes in the time and date of receipt, and signs the original and copies of the notice. The administrator returns the original notice to the IRS. Put one copy of the notice in the employee's personnel file to support the deduction and send one copy to the employee.
- ✓ A levy must be satisfied completely before an employee's pay can be fully restored.

Employee Retirement Programs

Some cities don't participate in the full Social Security program, they only pay the Medicare portion of the tax. A city isn't required to participate in the Social Security portion of FICA if they were in an approved retirement program prior to July 1, 1991. In certain circumstances, if a city is currently in the full Social Security program, they can get out and join an approved retirement program. Refer to the information on page 47 for more details.

Often, cities participate in one of the State of Alaska's retirement programs. Two retirement programs are provided by the State:

- ✓ Most teachers are covered by the Teachers' Retirement System (TRS).
- ✓ Most other permanent employees are covered by the Public Employees' Retirement System (PERS).

Both PERS and TRS are joint contributory systems. An employee must contribute to the system by payroll deduction. The amount required by the employee is called the "mandatory contribution." The employer makes matching contributions to PERS and TRS in amounts required by law. For more information contact the Department of Administration, Division of Retirement and Benefits, 1-907-465-5707.



Appendix

Federal and State Laws

The following summary of labor laws and regulations isn't intended to provide all the information and details needed by employers. Contact the appropriate agency and/or consult your attorney before taking action that may violate the provisions of these laws.

Federal Laws

Fair Labor Standards Act (FLSA)

The Fair Labor Standards Act, also known as the Wage and Hour Law, sets a minimum wage and a normal work week (40 hours). As of January 1, 2003, the federal minimum wage is \$5.15. (The State of Alaska's Wage and Hour Act sets the minimum wage at \$7.15.) Under this law, hours worked over the 40 hours must be paid at one and one half the regular rate of pay. The 1938 law originally didn't apply to local governments. However, in 1974 Congress amended the FLSA to include "public agency" under the Act. Public agency includes State agencies and local governments as "political subdivisions of the states."

This means cities and boroughs in Alaska must pay their employees at least the federal minimum wage. They must also pay one and one half of the wage rate for hours worked over 40 hours.

Non-municipal employers, on the other hand, must pay a minimum wage of \$7.15 per hour since they're not exempt from the Alaska Wage and Hour Act. Only the State and political subdivisions of the State are exempt from the higher State minimum wage. (See Alaska Wage and Hour Act later in this section.) The overtime requirements are the same for municipal and non-municipal employers.

The compensatory time, or "comp time," rules are the most difficult part of the FLSA for local governments to comply with. In the past, many cities used comp time to pay police and fire fighters for overtime. This is no longer acceptable, even if comp time is awarded at the rate of one and one half comp hours for each overtime hour worked, unless the employee and employer agreed to the arrangement before the overtime was earned. Non-municipal employers can't use comp time as payment for overtime.

The U.S. Department of Labor's Wage and Hour Division enforces the law. The U.S. Department of Labor usually begins an investigation when a complaint is received from an employee or former employee. The investigator relies on the employer's records to determine violations of the Act. If no records exist or they've been kept poorly, the employer will have little or no evidence to prove they didn't violate the rights of their employees.

The FLSA requires employers to keep records of every employee hired. The records must include:

- ✓ employee's name
- ✓ identification number (Social Security number)
- ✓ home address
- ✓ birth date
- ✓ sex
- ✓ occupation
- ✓ time, day, and date the employee's work week begins
- ✓ regular hourly rate of pay
- ✓ hours worked per day and per week
- ✓ the employee's total earnings per week
- ✓ total overtime earnings
- ✓ total additions and deductions from pay
- ✓ total wages paid per pay period
- ✓ the date payment was made to employees

According to the FLSA regulations, these records must be kept at least three (3) years. Additional records, such as time cards, must be kept for at least two (2) years.

For more information contact:

U.S. Department of Labor, Wage and Hour Division

111 West 3rd Ave., Room 755

Anchorage, AK 99801-3212

Phone: 1-907-271-2867

Seattle office: 1-206-553-4482

Federal Insurance Contributions Act (FICA)

The Federal Insurance Contributions Act (FICA) forms part of the Social Security program to provide financial safety for the worker and the worker's family. Both employers and employees pay a tax. The money collected is paid to a federally operated trust fund.

Municipalities and their employees don't have to pay the Social Security portion of FICA taxes if they were in another retirement program by July 1, 1991. In certain circumstances, if a municipality is currently in the full Social Security program, they can get out and join an approved retirement program. Refer to the information on page 47 for more details. ***For all employees hired after March 31, 1986, all municipalities must pay and also withhold the Medicare tax portion of FICA from employee's pay.***

If the city is in the Social Security Retirement System, it must collect the FICA taxes from each employee, match the contribution, and pay the Internal Revenue Service. The employee's taxes are collected by withholding money from their paychecks. The employer is responsible for the employee's taxes on all wages paid out, even if, through a mistake, the taxes are withheld or collected from the employee but not paid to the IRS. The employee is only responsible for back Social Security taxes if the taxes weren't withheld from their paycheck.

A city matches all employee contributions to the Social Security Retirement System. The amount due from employees and the employer is based on the total wages paid by the city.

Non-municipal employers **must** participate in Social Security and must pay the full portion of Social Security and Medicare taxes. Employers match employee contributions.

Under the FICA program, an employer must maintain employee records identifying:

- ✓ the name
- ✓ address
- ✓ date of birth
- ✓ Social Security account number
- ✓ the total amount and date of wages or salary payments
- ✓ the period of work the payment covers

- ✓ the amount of payment considered to be taxable wages
- ✓ the amount of tax withheld or collected
- ✓ when and why an employee's services were terminated

You're responsible for making sure:

- ✓ the appropriate withholdings are collected
- ✓ the employee's and employer's taxes are collected
- ✓ the taxes are reported using IRS form 941, or 941C
- ✓ the taxes are deposited correctly

For more information contact:

Department of Administration
Division of Retirement and Benefits
P.O. Box 110203
Juneau, Alaska 99811-0203
Phone: 1-907-465-4460
Fax: 1-907-465-3086



Send completed W-2 and W-3 forms to:

Social Security Administration
Data Operations Center
Wilkes-Barre, PA 18769-0001

Workshops in Anchorage are available through Tax Payer Education, Internal Revenue Service. For more information write to:

Tax Payer Education,
IRS 949 East 36th Avenue
Anchorage, AK 99508



Other Federal Laws of Interest

Davis-Bacon Act

This act deals with federal money used to pay contractors to construct, alter, or repair public buildings. If an employer pays a contractor more than \$2,000 for a public building project, the project workers must be paid "prevailing wages." Prevailing wages are determined by U.S. Department of Labor for various job classes. The federal Davis-Bacon Act was passed in 1931 and doesn't apply to projects in which a government entity, such as a city or borough, acts as its own general contractor and the construction is performed by public employees.

The contractor (and any subcontractors) working on a federally funded public building project must send a weekly report to the agency who hired them (city or village). The report states the Act was followed. It's your responsibility, as the hiring agency's representative, to make sure you get the reports and the contractor follows the law.

Occupational Safety and Health Act (OSHA) of 1970

Employers must furnish a work place free from recognized hazards likely to cause death or serious physical harm. Employers must keep records of:

- ✓ work related deaths, illnesses, and injuries; and,
- ✓ employee exposure to potentially toxic materials.

Civil Rights Act of 1964

Employers can't discriminate in hiring, firing, promoting, or in any term or condition of employment based on race, color, religion, sex, or national origin. The State has a similar law protecting workers from discrimination (see Alaska Wage and Hour Act).

The federal and State laws suggest you keep careful personnel and payroll records. Employment applications should be retained with notes about final personnel actions and the reasons for the actions. Also keep files of job descriptions and copies of employment tests. Records about the following must also be kept:

- ✓ promotions
- ✓ discharges
- ✓ seniority plans
- ✓ merit programs
- ✓ incentive pay plans

If questions about discrimination are asked, the records will help defend the employer's position.

Federal Unemployment Tax Act (FUTA)

Note: Municipalities are exempt from FUTA.
Tribal governments are exempt from FUTA if they are current with their ESC payments

The federal unemployment tax finances unemployment payments. The tax is paid by the employer only. The employer gets a credit on federal unemployment tax for payments made to a certified State unemployment compensation fund, such as the State employment security contribution program.

FUTA taxes are figured and deposited quarterly. The deposit form (Form 8109) is the same as the form used to deposit FICA and withheld Federal Income Taxes (Form 8109). The IRS sends FUTA deposit forms after an employer applies for a federal identification number.

Form 940 is filed once a year to report federal unemployment tax payments. The return and final tax payment for the year are due on or before January 31.

To satisfy FUTA requirements, Circular E instructs you to keep at least four (4) years of all records of employment taxes. These should be available for IRS review

and include:

- ✓ The federal Employer Identification Number (EIN).
- ✓ Amounts and dates of all wage, annuity, and pension payments.
- ✓ The fair market value of in-kind wages paid.
- ✓ Names, addresses, Social Security numbers, and occupations of employees.
- ✓ Dates of employees' employment.
- ✓ Times when employees were paid while sick or injured, and the amount and weekly rate of payments.
- ✓ Copies of employees' income tax withholding allowance certificates (Form W-4).
- ✓ Dates and amounts of tax deposits made.
- ✓ Copies of returns filed.
- ✓ Records of fringe benefits provided.

Immigration Reform and Control Act of 1986

Any employer, including cities and villages, must hire only American citizens and aliens authorized to work in the United States. The employer must verify employment eligibility of anyone hired after November 6, 1986, and complete form I-9 for each employee.

Form I-9 verifies a person is legally eligible to work in the United States. The law requires all employers do five things:

1. Have employees fill out their part of the Form I-9 when they start work.
2. Check documents establishing employee's identity and eligibility to work.
3. Properly complete the Form I-9.
4. Retain the form for at least three (3) years. If you employ the person for more than three years, retain the form until one (1) year after the person leaves your employment.
5. Present the form for inspection to an Immigration and Naturalization Service (INS) or Department of Labor (DOL) officer on request. You'll get at least three (3) days advance notice of an inspection.

Within three (3) business days of the date of hire, complete Form I-9 for persons hired after May 31, 1987.

Employers don't need to Complete Form I-9 for:

- ✓ Persons hired before November 7, 1986.
- ✓ Persons hired after November 6, 1986, who left your employment before June 1, 1987.
- ✓ Persons providing labor to you employed by a contractor.
- ✓ Persons who are independent contractors.

Persons who are self-employed don't need to complete Form I-9.

Get a copy of *Handbook for Employers, Instructions for Completing I-9* from the Immigration and Naturalization Service.

For more information contact:

Immigration and Naturalization Service

Toll Free Phone: 1-800-375-5283

Notes



State Laws

Alaska Wage and Hour Act (AS 23.10)

Section 23.10.055 of the Alaska Wage and Hour Act states employees of the United States, the State, or political subdivisions of the State don't have to follow most of the law. Therefore, municipalities do not have to pay State minimum wage (\$7.15 as of 01/01/03), work the standard work week (40 hours), or pay overtime pay (one and one-half the wage rate) under State law. The federal provisions of the FLSA do apply to municipalities, however. **This lets the municipalities avoid the State minimum wage but not the federally mandated standard work week and overtime payments because they're required by FLSA.**

The State wage and hour standards apply to contractors or contract labor hired by the municipality. However, anyone on the municipality's payroll isn't covered by the minimum wage, standard work week, and overtime provisions of the State labor laws.

Note: Non-profit Corporations, Village Councils, and all other non-municipal employers must follow all provisions of the Alaska Wage and Hour Act.

Under Alaska's labor laws, employers must:

- ✓ Establish a monthly or semi-monthly pay period (AS 23.05.140 [a]).
- ✓ Pay terminated employees within three (3) working days of termination (AS 23.05.140[b]).
- ✓ Notify employees, in writing, when they are hired, of the day and place of payment, the rate of pay, and any later change in these conditions (AS 23.05.160).
- ✓ Follow child labor standards (AS 23.10.325 - .370).
- ✓ Pay for transportation of out-of-state or out-of-town employees whose transportation you paid to the community (AS 23.10.380).
- ✓ Not discriminate because of race, religion, color, or national origin, or because of age, physical handicap, sex or marital status, pregnancy, or parenthood.
- ✓ Provide for workers' safety and follow State provisions of workers' compensation for injury or death at the work place (AS 23.25.010 - .040).

For more information contact:

Department of Labor and Workforce Development
Division of Labor Standards and Safety, Wage and Hour Section
P.O. Box 107021
Anchorage, AK 99510-7021 Phone: 1-907-269-4900
Fax: 1-907-269-4915

Department of Labor and Workforce Development
Occupational Safety and Health Section
P.O. Box 21149
Juneau, AK 99802-1149 Juneau: 1-907-465-4855
Anchorage: 1-907-269-4955

Department of Labor and Workforce Development
Division of Workers' Compensation
P.O. Box 25512
Juneau, AK 99802-5512 Phone: 1-907-465-2790
Fax: 1-907-465-2797



Employment Security Act (ESC)

The Alaska Employment Security Act (ESC) is the basis for the State's unemployment insurance program. Municipalities are included in the program and must follow the same requirements as any person, firm, corporation, or organization employing one or more individuals. An "employing unit" is required to:

- ✓ File with the Department of Labor for Liability Determination.
- ✓ Keep accurate payroll records.
- ✓ File quarterly wage reports.
- ✓ Pay taxes on its payroll.

Privately owned firms must report ownership changes. Local governments and village councils should report changes in council members using Department of Labor's ESC Status Report by Non-profit organization (Form 1002-N).

All employing units must set up, maintain, and keep for five (5) years payroll records for each person employed. Payroll records must show:

- ✓ Employment Security Contribution withholdings.
- ✓ Pay periods and total wages paid during the period.
- ✓ The name, Social Security number, and wages paid to each employee during the pay period.
- ✓ Special payments such as bonuses or commission payments.

Participation in the unemployment insurance program starts by filling out an Employer's Registration Form. Employer's Registration Forms are obtained from any Field Tax Office, Department of Labor (see page 86).

Employers responsible for the payment of taxes under the Alaska Employment Security Act must prepare and submit Form 07-1004, Employer's Quarterly Report. Reports are due within 30 days after the end of the calendar quarter. The Report includes:

- ✓ The individual wages for each employee.
- ✓ Total wages paid.
- ✓ Contributions due from employer and employee.

Stipends and fees paid to elected and appointed public officials to attend meetings and the salaries or wages paid municipal officers aren't included in the program. "Municipal officers" include mayors, council members, school board members, elected utility members, municipal managers, and members of planning and zoning commissions.

For more information contact:

Alaska Department of Labor and Workforce Development

Juneau Office
PO Box 25509
Juneau, AK 99802-5509
Phone: 1-907-465-2757
FAX: 1-907-465-2374

Nome Office
P.O. Box 1589
Nome, AK 99762-1589
Phone: 1-907-443-3037
FAX: 1-907-443-3038

Anchorage Office
PO Box 241767
Anchorage, AK 99503-1767
Phone: 1-907-269-4850
FAX: 1-907-269-4845

Wasilla Office
877 Commercial Drive
Wasilla, AK 99654-6937
Phone: 1-907-373-2682
FAX: 1-907-373-2683

Fairbanks Office
675 Seventh Ave., Station L
Fairbanks, AK 99701-4595
Phone: 1-907-451-2875
FAX: 1-907-451-2883

Kenai Office
11312 Kenai Spur Hwy., Suite 2
Kenai, AK 99611-9106
Phone: 1-907-283-4478
FAX: 1-907-283-5152



Employee Name _____

Social Security Number _____

Date of Hire _____ Income Tax Status _____

No. Exempts _____ Salaried _____ Hourly _____

[illegible]

TIME SHEET - GENERAL

Employee _____ Date _____

Employee Social Security Number _____ - _____ - _____

Pay Period: From ____ / ____ / ____ To ____ / ____ / ____

Date	1 16	2 17	3 18	4 19	5 20	6 21	7 22	8 23	9 24	10 25	11 26	12 27	13 28	14 29	15 30	31	Total
Regular Hours																	
Overtime Hours																	
Annual Leave																	
Sick Leave																	
Holiday (Regular Time)																	
Holiday (Overtime)																	
Other																	
Total Hours																	

Employee Signature _____

Supervisor _____

Charge to: _____

Leave Authorization			
Name: _____		SSN: _____	
Dates of Leave Requested:			
From:	____/____/____	AM/PM	End: ____/____/____
	Month Day Hour		Month Day Hour
Type of Leave Requested <input type="checkbox"/> Annual <input type="checkbox"/> Sick <input type="checkbox"/> LWOP <input type="checkbox"/> Court			
APPROVAL OF REQUEST: _____			
Supervisor			
Leave Taken			
Total Hours of Leave:		<input type="checkbox"/> Annual _____	<input type="checkbox"/> Sick _____
		<input type="checkbox"/> LWOP _____	<input type="checkbox"/> Court _____
Employee Signature: _____		Supervisor: _____	
Date: _____		Date: _____	
RETURN THIS FORM to Bookkeeper within 24 hours of completion of Leave.			

NAME	Soc. Sec No.	Address
Income Tax Status	No. of Exemptions	Rate of Pay

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Journal No. _____ Payroll Period From _____, 19____ To _____, 19____

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